

## ENTREPRENEURSHIP

*Time allowed : 3 hours*

*Maximum marks: 100*

### **General Instructions:**

- (i) *All the questions are compulsory,*
- (ii) *Marks are indicated against each question.*
- (iii) *Question Nos. 1 to 5 are very short answer questions carrying 1 mark each. Answer to each of these should not exceed 15 words.*
- (iv) *Question Nos. 6 to 10 are short answer questions carrying 2 marks each. Answer to each of these should not exceed 50 words.*
- (v) *Question Nos. 11 to 17 are short answer questions carrying 3 marks each. Answer to each of these should not exceed 75 words.*
- (vi) *Question Nos. 18 to 21 are short answer questions carrying 4 marks each. Answer to each of these should not exceed 150 words.*
- (vii) *Question Nos. 22 to 24 are long answer questions carrying 6 marks each. Answer to each of these should not exceed 250 words.*

### **QUESTION PAPER CODE 98/1**

- |    |   |   |
|----|---|---|
| 1. | What is the result of applying knowledge, skills, competency and creativity strategically for market-orientation ?                                      | 1 |
| 2. | Name the two factors that are involved in sensing opportunities.  | 1 |
| 3. | List the two important considerations for the purchase of materials.  | 1 |
| 4. | A company uses 300 units of an item per day and the order lead time is 5 days. What should be the level of inventory when a new order is to be placed ? | 1 |
| 5. | Avinash wants to open a tailoring shop in a colony. Name the suitable 'pricing method' for providing his services.                                      | 1 |
| 6. | Why does an entrepreneur need feasibility plan ? Explain.   | 2 |
| 7. | Why is a technical feasibility study essential ? Explain.   | 2 |
| 8. | What is meant by 'Innovation' ?   | 2 |
| 9. | Explain 'Care to Ecology and Environment' as a social responsibility of an entrepreneur.  | 2 |

10. An entrepreneur decides to sell his woollen garments in the month of February on discount. Name and explain the environmental factor which prompted him to take this decision. 2
11. Explain any three sources from which basic ideas emerge. 3
12. Explain the first three steps involved in the process of investigation of a feasible product. 3
13. State any three objectives of preparing a Project Report. 3
14. Explain the uses of a Project Report for:
- an entrepreneur
  - government
  - financial institutions
- 3
15. List any six problems faced by first generation entrepreneurs. 3
16. Explain the term 'Personal Financing'. 3
17. Explain any two factors which affect the formulation of a financial plan. 3
18. Explain any four decisions which have to be taken into considerations under the head 'Material Resources'. 4
19. Name and explain the concept which states that a particular volume of production of a firm neither makes a profit nor a loss. 4
20. State any four advantages of 'Inventory Control'. 4
21. Differentiate between 'Preference Shares' and 'Equity Shares' on the basis of:
- (a) Voting Right
  - (b) Payment of Dividend
  - (c) Repayment of Capital
  - (d) Rate of Dividend
- 4
22. Explain any six ways in which ideas can be generated. 6

**Or**

Explain by giving any four points why 'market-assessment' is needed for an entrepreneur?

23. What is a 'Feasibility Plan'? State any four features of a feasibility plan. 6

**Or**

What is meant by a 'Project Report'? State any four elements of a project report.

24. Amir wants to buy raw materials from Vineet for his toy factory. He wants that Vineet should take payment after three months. As per the prevailing practice in this industry he can make payments within six months.
- Name and explain the source of finance which Amir wants to use ? Also explain two other sources of finance which he can have for availing this facility. 6

**Or**

Harish received an order amounting to Rs. 50,000 for supplying readymade 250 shirts within two months. He took Rs. 25,000 advance from the buyer.

Name and explain the source of finance Harish is using. Also explain two other sources of finance he can avail in the same category of sources of finance.

### QUESTION PAPER CODE 98

1. State the two key behavioural characteristics of an entrepreneur. 1
2. Name the environmental factor which relates to welfare and safety of employees. 1
3. List any two marketing functions under the head 'Physical supply'. 1
4. Name the products which are sold to other firms for their production purposes. Give any one example of such products. 1
5. For which type of products can the manufacturer initially fix a very high price? Name the pricing-method which is used for such type of products. 1
6. Why is a Project report required ? Explain briefly. 2
7. Explain 'Market Survey and Analysis' as a feature of a feasibility plan. 2
8. Define a Planning paradigm. 2
9. Why is inventory control essential for an entrepreneur ? Give any two reasons. 2
10. Name and explain the idea field which deals with providing a new technique of teaching. 2
11. Explain in brief any three types of resources that have to be considered by an entrepreneur while setting up a small-scale enterprise. 3
12. Explain 'ability to perceive and preserve basic ideas' as a factor in the process of sensing opportunities. 3
13. List the three basic qualities that a" good entrepreneur should have. 3
14. Explain with the help of an example, how does an entrepreneur assess the requirements of working capital. 3

15. List any six factors that should be kept in mind by an entrepreneur as a part of production plan. 3
16. Explain 'Distribution Mix' as an element of 'Marketing Mix'. 3
17. Explain the role of 'financial planning' in 'financial management'. 3
18. Explain 'Demand Driven Ideas' and 'Trading Related Ideas' as idea fields. 4
19. Name and explain the concept which states that at a particular volume of production a firm neither makes a profit nor a loss. 4
20. State any four disadvantages of issuing equity shares. 4
21. Explain any two growth sustaining activities of an enterprise. 4
22. Explain any six steps which help in identifying a feasible product or process. 6

**OR**

Explain the practical steps involved in setting up a Small-Scale Enterprise at Stage-II.

23. What is a 'Project Report' ? State any four elements of a Project Report. 6

**OR**

Give the uses of a Project Report (i) For the entrepreneurs, (ii) For financial institutions, and (iii) For the Government.

24. Harish received an order amounting to Rs. 50,000 for supplying 250 readymade shirts within two months. He took Rs. 25,000 advance from the buyer.  
Name and explain the source of finance Harish is using. Also explain two other sources of finance he can avail in the same category of sources of finance. 6

**OR**

Anita wants to buy raw materials from Vinita for her toy factory. She wants that Vinita should take payment after three months. As per the prevailing practice in this industry she can make payments within six months.

Name and explain the source of finance which Anita wants to use. Also explain two other sources of finance she can have for availing this facility.

## Marking Scheme — Entrepreneurship

### *General Instructions :*

1. The Marking Scheme provides general guidelines to reduce subjectivity in the marking. The answers given in the Marking Scheme are suggested answers. The content is thus indicative. If a student has given any other answer, which is different from the one given in the Marking Scheme, but conveys the requisite meaning, such answers should be given full weightage.
2. Evaluation is to be done as per instructions provided in the Marking Scheme.
3. If a question has parts, please award marks in the right hand side for each part. Marks awarded for different parts of the question should then be totalled up and written in the left hand margin.
4. If a question does not have any parts, marks be awarded in the left-hand margin.
5. If a candidate has attempted a question twice, marks obtained in the question attempted first should be retained and the other answer should be scored out.
6. There are few questions on distinction between two concepts. In such questions, sometimes some students give one aspect of the difference correctly and the other is either wrong or not given at all, no mark should be given for such distinction.
7. In case of choice-type questions, if an examinee attempts both the choices, assess the choice attempted first.
8. In a question, if the question asks for two features/ characteristics/ points but an examinee writes more than two features/ characteristics/ points, say, five of which first is correct, second is incorrect, the first two should be assessed and the remaining should be ignored.
9. It is expected that the Marking Scheme should be followed objectively to avoid over-strict tendency in marking. For instance, if an examinee scores 20 marks, his/ her marks should not be inflated to 23 simply to pass him/her.
10. Marks should be awarded keeping in view the total marks of that particular question and not the total marks of the question paper. For example, if one mark is given to a 3 marks question even if nothing is correct then that one mark constitutes 33% of the total marks ear-marked for this answer. This must be avoided.
11. A full scale of marks 0-70 has to be used. Please do not hesitate to award full marks if the answer deserves it. Similarly, wherever an examinee writes answer up to the mark, his/her marks should not be deducted unnecessarily.

QUESTION PAPER CODE 98/1

**EXPECTED ANSWERS/VALUE POINTS**

1. It helps the entrepreneur to understand the customers and their needs. Market orientation helps the entrepreneur in producing goods and services that would not only meet the current demands but the anticipated demands of the future too.  
(Give 1 mark for any of the points mentioned) 1 mark
2. Factors involved in sensing opportunities are as follows:-  
(a) Ability to perceive and preserve basic ideas.  
(b) Ability to harness different resources of knowledge and information.  
(c) Vision and creativity  
( $\frac{1}{2}+\frac{1}{2} = 1$  mark for any two points ) 1 mark
3. Important Consideration for the purchase of materials are:-  
(a) Right Quality  
(b) Right Time  
(c) Right Price  
(d) Right Quantity  
(e) Right Source  
( $\frac{1}{2}+\frac{1}{2} = 1$  mark for any two points ) 1 mark
4. Reorder point = usage rate  $\times$  lead time  
Reorder point =  $300 \times 5 = 1500$  units 1 mark
5. Market rate method 1 mark
6. An entrepreneur needs a feasibility plan :  
(a) To assess the periodic requirement of material and human resource and in raising them  
(b) To give a correct position of the project to the financiers to the method and to customers.  
(c) To execute the project in an organized and systematic manner  
( $1+1 = 2$  marks for any two points) 2 mark
7. Technical feasibility is essential due to following:-  
(a) It indicates the manufacturing process, product designs and drawings.  
(b) The details of machinery required and equipment raw materials and man power required.

- (c) It specifies the instruments used for quality control measures taken for quality assurance, scope for research and development.
- (d) It provides a flow chart of the manufacturing process.
- (e) Helps in finding out the scope for research and development.

(1+1= 2 marks for any two points)

2 mark

- 8.** Innovation is the process of entrepreneurship. It involves the translation of a useful idea into an application which has commercial value. It involves analytical planning, organizing resources, implementation and commercial application.

2 marks

**OR**

Any other appropriate answer

- 9.** Entrepreneurs should take the responsibility to keep pollution under control, to provide devices to prevent polluting materials from affecting public health. They should not indulge in any activity that vitiate or degrades environment or (any other appropriate answer) .

2 marks

- 10. Economic Factor:**

Economic factor consists of variables like supply and demand for the product. Details of consumer trends, economic preferences, costing, discounting etc are all economic decisions.

(However if students give and explain only socio cultural factor 1 mark can be given.)

(1 mark for naming the factor and 1 mark for detail)

1+1 = 2 marks

- 11.** Sources from which basic ideas emerge:

- (a) Problems
- (b) Change
- (c) Inventions
- (d) Competition.

(any three points)

(½ mark for naming the point and ½ mark for explanation)

1×3 = 3 marks

- 12.** First three Steps:

- (a) Product or service identification
- (b) Application and use
- (c) Level of operation.

(½ mark for naming the point and ½ mark for explanation)

1×3 = 3 marks

13. Objectives of preparing a project report
- (a) To identify the requirement of the resources
  - (b) To assess the scope and range of the success of the enterprise.
  - (c) To obtain opinion of experts from various fields
  - (d) To enable licensing of the enterprise by the concerned authorities.
  - (e) For financial appraisal of the project by financial institutions, banks etc.
  - (f) To find the critical components of the project idea.
- (Any three points) (1×3 = 3)

14. Uses of the Project Report for
- (a) An entrepreneur – it works as a blue print that helps in explaining his idea to financiers, market customer/SWOT analysis.
  - (b) Government- helps in executing statutory and legal requirements, land tax, sales tax, commercial tax, and transport license and pollution control certificate have all to be obtained on the basis of project report.
  - (c) Financial institutions – Before extending financial assistance, the bankers would like to know the feasibility and profitability of the enterprise. They would also like to know whether the entrepreneurs will be able to generate the necessary funds periodically to repay the loan together with interest.
- (1 mark for each sub point) 1×3 = 3 marks

15. (a) Capital
- (b) Lack of goodwill
  - (c) Lack of Experience
  - (d) Lack of risk taking ability
  - (e) No market standing
  - (f) Lack of orientation to problem solving
  - (g) Poor productivity
  - (h) Competition
  - (i) Poor decision making skills
  - (j) Lack of resources
- Or any other appropriate answer.
- (½ mark for each 6 points) ½×6 = 3 marks

16. The entrepreneur always has to make the initial investment as capital. For this purpose he arranges finance from his personal resources such as his personal cash, borrows from members of the family, converts his assets into cash or uses them in business (e.g. car, telephone, computer etc). Such personal sources of finance are part of personal financing. 3 marks

**OR**

Any other appropriate explanation

17. Factors are: (Any two points)

- (a) Objective
- (b) Solvency and Liquidity
- (c) Optimum structure
- (d) Simplicity
- (e) Provision for Contingencies.

( $\frac{1}{2} \times 2 = 1$  mark for 2 factors/points and  $1 \times 2 = 2$  marks for 2 explanation) 1+2 = 3 marks

18. Four Decisions are:

- (a) Size and location
- (b) Manufacturing process
- (c) Identifying and purchasing machinery
- (d) Obtaining electricity power

( $\frac{1}{2} \times 4 = 2$  marks for four points and  $\frac{1}{2} \times 4 = 2$  marks for four explanation) 2+2 = 4 marks

19. Break even point meaning

BEP is the volume of production at which a firm neither makes a profit nor a loss. At the BEP revenue equals the total costs

$$\text{Formula} = \text{BEP} = \frac{\text{Fixed costs}}{\text{Selling price} - \text{Variable cost per unit}}$$

1 mark for name, 3 marks for explanation 1+3 = 4

20. Four Advantages of inventory control are:

- (a) To know whether materials are readily available for production/use.
- (b) To examine quantity discounts for large orders.
- (c) To ensure prompt delivery of materials to customers.
- (d) To stabilize the fluctuation of demands.

$1 \times 4 = 4$  marks

21.

Basis	Preference Shares	Equity Shares
(a) Voting Right	Do not enjoy	Enjoy voting rights
(b) Payment of dividend	given preference over equity	dividend paid after preference shares holders are paid.
(c) Repayment of capital	given preference over equity share holders	paid only at the time of winding up.
(d) Rate of dividend	is fixed	varies year to year

$1 \times 4 = 4$  marks

22. Ways in which ideas can be generated:

- (a) Brain storming
- (b) Doing market research
- (c) Gathering information from publication
- (d) Seeking assistance from entrepreneurs
- (e) Using hobbies
- (f) Talking and listening to people
- (g) Day dreaming and fantasizing

(any six points with explanation)

( $\frac{1}{2} \times 6 = 3$  marks for points and  $\frac{1}{2} \times 6 = 3$  marks for explanation)

3+3 = 6 marks

**OR**

Market assessment is important as it helps the entrepreneur:

- (a) In demand analysis.
- (b) Understanding supply and competition in the market.
- (c) Determining cost and price of products.
- (d) Understanding the existing trade practices.
- (e) Helps in project innovation and changes

**(any four points with explanation)**

23. **Meaning :**

Feasibility plan is a comprehensive business plan. It facilitates to understand the feasibility of the project, the bottlenecks in the process the risk factors involved, the potential success of the project.

Features of feasibility plan are: **(state any four)**

- (a) executive summary
- (b) objectives of the business
- (c) attributes of the product
- (d) Market survey and analysis.
- (e) Operational plan
- (f) Marketing strategies
- (g) Financial profit
- (h) Human resources and management
- (i) Futuristic projection.

(2 marks for meaning,  $1 \times 4 = 4$  marks for four features)

2+4 = 6 marks

**OR**

**Meaning :**

Project report is basically a business plan. It describes all necessary inputs to the enterprise. It explains the mode of utilization of resources and also details the strategies for the execution of the project. It outlines the desired goals.

**Elements: (state four)**

- (a) Description of the promoters
- (b) Description of the enterprise
- (c) Economic viability and marketability
- (d) Technical feasibility
- (e) Financial Projections
- (f) Profitability analysis
- (g) Relevant documents.

**24.** Name- Short term sources trade credit.

**Explanation :**

The suppliers of raw materials, stores spare parts; finished goods provide the facility to their customers to pay the amount due within the credit period allowed by them. This period ranges from one month to six months.

**Other sources : (any 2 with explanation)**

- (a) Advance from customers.
- (b) Discounting bills of exchange
- (c) Bank overdraft
- (d) Cash credit.

(1 mark for name, 2 marks for explanation and 3 marks for sources)

1+2+3 = 6 marks

**OR**

Name- short term sources

Advance from customers

**Explanation :**

Some businessmen prefer advance from customers/ buyers at the time of accepting their orders. The remaining amount is collected when order is executed (the availability of this source depends upon the type of goods ordered, credit worthiness of the business, elasticity of demand in the market etc.)

Other sources : (any 2 with details)

- (a) trade credit
- (b) Discounting bill of exchange
- (c) Bank overdraft
- (d) Cash credit

### QUESTION PAPER CODE 98

### EXPECTED ANSWERS/VALUE POINTS

1. The two key behavioral characteristics of an entrepreneurs are:-
  - (a) Perceive an opportunity
  - (b) Creativity to innovate and build something of market value.
  - (c) Ability to harness different sources of knowledge and information. 1/2×2=1 mark
2. Legal environment. 1 mark
3. The two marketing functions under the head physical supply are:
  - (a) Transportation
  - (b) Storage
  - (c) Warehousing(any two functions) 1/2×2 = 1 mark
4. Industrial products  
**Example- (Any one):** Machines, equipments, raw materials, packaging and labeling products etc. 1/2+1/2 = 1 mark
5. When the product is an innovative one and is received by the market well. Pricing method which is used for these types of products is – skimming price method. 1/2+1/2 = 1 mark
6. A project is required to clarify for the entrepreneur as what he is doing, why he is doing it and how he will do a particular work.  
It will enlighten him during the progress of the venture and facilitate him to moderate and harmonize with various components of the scheme. 2 marks
7. A market survey analysis helps the entrepreneurs to know the characteristics of the market. It will make him aware whether the production of a product is viable in the market or not, what are the customer needs and attributes, quantity needed, level of consumption etc. 2 marks
8. Planning paradigm- it is a general pattern which suggests how to progress from an abstract idea to achieving sustained stability, growth and value added services. 2 marks

**OR**

Any other appropriate answer given by candidate.

**OR**

A planning paradigm may be defined as the concept of having a model to follow when developing a new enterprise.

**9.** Inventory control is essential because:

- (a) To know whether materials are readily available for production/ use.
- (b) To examine quantity discounts for large orders.
- (c) To ensure prompt delivery of materials to consumers
- (d) To stabilize the fluctuations of demands
- (e) To take care of holding cost and carrying cost of inventory.

(any two reasons)

1×2 = 2 marks

**10.** Market driven or demand driven ideas.

Or existing products or services: there is a constant and consistent efforts on the part of all entrepreneurs to improve the product and services already in the market. There are new techniques and strategies being developed in teaching including updating teachers through teachers training.

(1 mark for point and 1 mark for explanation)

1+1 = 2 marks

**11.** Resources are :

- (a) Human resources (men)
- (b) Material resource (material)
- (c) Financial resources (money)

( $\frac{1}{2} \times 3 = 1\frac{1}{2}$  marks for points and  $1\frac{1}{2}$  marks for explanation)

$1\frac{1}{2} + 1\frac{1}{2} = 3$  marks

**12.** “Ability to perceive and preserve basic ideas”. Every idea that we get is not an opportunity. An opportunity is that idea which is based on what consumers want. Basic ideas emerge under the following four categories.

3 marks

- (a) Problems
- (b) Change
- (c) Inventories
- (d) Competition

**13.** The basic qualities of a good entrepreneur are:-

- (a) creativity
- (b) Innovation
- (c) Propensity to risk taking

- (d) Taking initiative
- (e) Concern for attaining standards of excellence in whatever they undertake.
- (f) Orientation to problem solving
- (g) Persistence
- (h) Faith and commitment to a planning paradigm.
- (i) Information seeking and concern for people and environment
- (j) Self confidence

(any three)

1×3 = 3 marks

- 14.** Working capital is the capital required by business to carry out day to day activities. It is generally calculated for full operating cycle.

**Example:-** Suppose an entrepreneur proposed to produce 100 leather coats per week for which the entrepreneur needs Rs.5000/- for purchasing raw materials and Rs.2000/- towards the payment of labour charges during the week. Let us suppose it takes another 3 weeks to receive the payment on their sales. As a result, the money spent during the first week will come only at the end of the fourth week. Thus the actual working capital for this enterprise will be Rs.  $7000 \times 4 = 28000/-$

(1 mark for meaning and 2 marks for example)

1+2 = 3 marks

**OR**

Any other appropriate example given by student

- 15.** Six factors that should be kept in mind by an entrepreneur as a part of production plan are :

- (a) Machines, tools and equipments required.
- (b) Cost, type and supply of raw materials
- (c) Work schedules.
- (d) Quality control / assurance
- (e) Maintenance
- (f) Capacity utilization
- (g) Skilled and unskilled labour requirements
- (h) Storage and warehousing of raw materials and finished goods.
- (i) Technology/ technical complexity.

(Any six points)

$\frac{1}{2} \times 6 = 3$  marks

**16** Distribution Mix:- it is also known as place mix. It is concerned with movement of goods from the place of production to the place of consumption, at right time. 3 marks  
It involves :

- (a) Physical distribution - storage and transportation
- (b) Channels of distribution – whole sellers and retailers

**17.** Role of financial planning:-

- (a) It matches the needs of the enterprise for short term as well as long term purposes.
- (b) It helps in estimating the amount of capital to be raised so that an enterprise may be protected from the adverse consequences of over capitalization and under capitalization.
- (c) It helps in determining the form and proportionate amount of securities to be issued.
- (d) To determine the amount of capital required by enterprise thereby ensuring that there is no shortage or surplus of funds.
- (e) To design proper, suitable, flexible and effective capital structure.
- (f) To lay down the financial policies:- related to lending, borrowing, control of cash etc.

(any three points)

1×3 = 3 marks

**18. Demand driven ideas:** To carry out a market research is an important method of generating ideas. This study yields valuable data about trends of supply, demand, consumers preferences etc. sometimes information is also available with association and organizations.

**Trading related ideas:** trade in simple terms is buying goods and services and selling them to consumer at a profit. One big advantage that trading has over other types of business is that it is easier to launch and less risky. However necessary for

a prospective trader to be aware of the trends in an economy.

2+2 = 4 marks

**19. Break even point meaning:**

BEP is the volume of production at which a firm neither makes a profit nor a loss. At the BEP revenue equals that total costs.

$$\text{Formula} = \text{BEP} = \frac{\text{Fixed costs}}{\text{Selling price} - \text{Variable cost per unit}}$$

(1 mark meaning and 3 marks for details)

1+3 = 4 marks

**20.** Limitations of issuing equity shares:

- (a) Floatation cost is higher than other sources finance
- (b) Company can not take advantages of trading on equity, if it is depending exclusively on equity shares.
- (c) Danger of over capitalization.
- (d) Life long liability for company.
- (e) Goodwill adversely affected if dividend is not paid regularly.
- (f) High risk due to uncertainty of return and fluctuation in the market value of shares.
- (g) Not in a position to exercise real control over the company as shareholders are usually scatters

(any four)

1×4 = 4 marks

**OR**

Any other appropriate limitations

**21.** Growth sustaining activities of an enterprises (any two)

- (a) Modernization
- (b) Expansion
- (c) Diversification
- (d) Substitution
- (e) Franchising

(1×2 = 2 marks for points and 2 marks for explanation)

2+2 = 4 marks

**22.** Steps which help in identifying a feasible product on process : (any six)

- (a) Product or service identification
- (b) Application and use
- (c) Level of operation
- (d) Cost
- (e) Competition
- (f) Technical complexity
- (g) Annual turnover on profit margin

(½×6 = 3 marks for points and ½×6 = 3 marks for explanation)

3+3 = 6 marks

**OR**

The practical steps involved in setting up a small scale enterprise at stage-II are:-

- (a) Preparing a project report.
- (b) Obtaining no objection certificate.

- (c) Obtaining formal sanction of loan.
- (d) Construction of building and installation of machinery.
- (e) Detaining manpower.
- (f) Establishing marketing network and application for permanent registration.

**23.** The project report is basically a business plan. It describes all necessary inputs to the enterprise. It explains the mode of utilization of resources and also details the strategies for the execution of the project. It outlines the desired goals.

**Elements :** (state four)

- (a) Description of the promoters
- (b) Description of the enterprise
- (c) Economic viability and marketability
- (d) Technical feasibility
- (e) Financial Projection
- (f) Profitability analysis
- (g) Relevant documents

(2 marks for explanation and  $1 \times 4 = 4$  marks for Elements)

2+4 = 6 marks

**OR**

Uses of the project report for

- (a) An entrepreneur – it works as a blue print that helps in explaining his idea to financiers, market customers / SWOT analysis
- (b) Government – helps in executing statutory and legal requirements, land tax, sales tax, commercial tax, and transport license and pollution control certificate have also to be obtained on the basis of project report.
- (c) Financial institutions- Before extending financial assistance, the bankers would like to know the feasibility and profitability of the enterprise. They would also like to know whether the entrepreneurs will be able to generate the necessary funds periodically, to repay the loan together with interest.

**24.** Name — short term sources

Advance from customers

**Explanation :**

Some businessmen prefer advance from customers/ buyers at the time of accepting their orders. The remaining amount is collected when order is executed (the availability of this source depends upon the type of goods ordered, credit worthiness of the business, elasticity of demand in the market etc)

Other sources : (any 2 with details)

- (a) trade credit
- (b) Discounting bills of exchange
- (c) Bank overdraft
- (d) Cash credit

(1 mark for name, 2 marks for explanation and 3 marks for sources)

1+2+3 = 6 marks

**OR**

Name — Short term sources trade credit.

**Explanation :**

The suppliers of raw materials, stores spare parts, finished goods provide the facility to their customers to pay the amount due within the credit period allowed by them. This period ranges from one month to six months.

Other sources : (any 2 with explanation)

- (a) Advance from customers.
- (b) Discounting bills of exchange
- (c) Bank overdraft
- (d) Cash credit.