



**FINAL EXAMINATION**  
**ANSWERS TO PRACTICE TEST PAPER**  
**PAPER – 20C**  
**ENTREPRENEURSHIP AND STARTUP**

**TERM – JUNE 2026**  
**SYLLABUS 2022**

**Time Allowed 3 Hours**

**Full Marks: 100**

The figures in the margin on the right side indicate full marks.

**SECTION – A (Compulsory)**

**I. Choose the correct option:**

**[15 x 2 = 30]**

- (i) Which one of the following is not driving force for entrepreneurship development?
- Management
  - Opportunity
  - Resources
  - Talent
- (ii) Nine principles of entrepreneurial ecosystem are suggested by \_\_\_\_\_.
- Isenberg (2009)
  - Isenberg (2010)
  - Isenberg (2011)
  - Isenberg (2012)
- (iii) \_\_\_\_\_ is the process of breaking a data set into groups of similar data, often broken into a customer demographic. This allows data analysts and other users of data analytics to further dive into the numbers relating to a specific subset of data.
- Regression analysis
  - Factor analysis
  - Time Series Analysis
  - Cohort Analysis
- (iv) \_\_\_\_\_ is used by wholesalers and by manufacturers, businesses that deals with direct sales.
- Disintermediation Model
  - Marketplace model
  - On demand model
  - Freemium model
- (v) Entrepreneurship is the attitude of mind to
- Seek opportunities
  - Take calculated risks
  - Derive benefits by setting up a venture
  - All of the above



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- (vi) A lean start-up attempts to solve the problem scientifically by using specific \_\_\_\_\_.
- Principles
  - Processes
  - Principles and processes both
  - Technology
- (vii) Berkus Method is created by American venture capitalist and angel investor \_\_\_\_\_.
- Dave Berkus
  - H. Berkus
  - Lave Berkus
  - Nany Berkus
- (viii) \_\_\_\_\_ is an example of Systematic Risk.
- Business Risk
  - Default Risk
  - Financial Risk
  - Interest Rate Risk
- (ix) \_\_\_\_\_ Who in an organisation has responsibility for working towards the vision / mission / goals?
- Employer
  - Employees
  - who works for the organization
  - Suppliers
- (x) Import- Export is the example of
- Employment
  - Market intermediary
  - Organisational Support
  - Market linkage

**Answer:**

i	ii	iii	iv	v	vi	vii	viii	ix	x
d	b	d	a	d	c	a	d	c	d

- (b) Based on the following case study, you are required to answer the questions no. (i) to (v) [5 x 2 = 10]  
Mr. KEYON a young entrepreneur having leadership qualities is passionate about sustainability, ethics and wanted to revolutionize the footwear industry by creating an eco-friendly footwear brand. He realized that consumers were becoming more conscious of their environment impact but struggled to find stylish and durable shoes. Keyon Start-up named MJB Venture that used ethical labour practices



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and recycled materials. He started with a small personal investment and later secured funding from Angel Investor. He leveraged digital marketing and social media to build a Loyal Community around sustainable shoe fashion. Keyon also introduced a scheme of use and return where customers get benefits on new shopping by exchanging old shoes. After a period of four years MJB Venture gained significant traction. Keyon expanded his product line by including shoes for kids and senior citizens. Keyon Start-up MJB Venture remained profitable by building best customer relationships and following best marketing strategies.

Choose the correct option from the given four alternatives based on above Scenario:

- (i) The term sustainability refers to
- a) Personnel Goal
  - b) Social Goal
  - c) Marketing Goal
  - d) Personal Goal
- (ii) Ethics practice deals with
- a) Good and Evil
  - b) True and False
  - c) Right and Good
  - d) All of the above
- (iii) The ability to influence people towards the attainment of organization goals is known as
- a) Leadership
  - b) Motivation
  - c) Persuasion
  - d) Commitment
- (iv) \_\_\_\_\_ are received by Angel Investors in Exchange for their Investment in Start-up.
- a) Variable Interest Rate
  - b) Government Aid
  - c) Company Shares
  - d) Debenture and Bonds
- (v) Traction is important for start-up because
- a) it is tax efficient.
  - b) it helps in employee management.
  - c) it proves that business is working efficiently.
  - d) it provides competitors strategy in effective manner.



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**Answer:**

i	ii	iii	iv	v
b	c	a	c	c

**Section – B**

**(Answer any five questions out of seven questions given. Each question carries 14 Marks)**

**[5 x 14 = 70]**

**2. (a) Evaluate the Barriers to Entrepreneurship.**

**[7]**

**(b) "Marketers are now able to filter their audience and reach out to a targeted segment with the new age marketing rather than the huge spill overs of the traditional ways."- Critically assess how the new age marketing strategies can prevent the spill over of traditional ways of marketing.**

**[7]**

**Answer:**

**(a)**

Literatures show that there are many barriers to entrepreneurship. We need to understand why the people keeps away from entrepreneurship. Barriers may be classified into two categories :

Every entrepreneur aims to follow their passionate approach and convert it into a successful business by earning more and more profits and creating goodwill in the market. But many barriers can block the path to the success of entrepreneurship.

**A. Mental Barriers :**

Mental barrier is a limiting belief or assumption that we have about ourselves in regards to our ability, potential, self-worth, etc. It keeps us away from doing something or acting on something. Examples of entrepreneurial barriers are as follows :

(i) Not interested in business: In different countries, people are not interested in doing business. They prefer jobs as risks are comparatively less. Job also offers a secured income especially in government sector. Their motivation towards achievement in life is lacking.

(ii) Lack of taking decision to start any venture: People are thinking that unless they acquire knowledge and skills about business and its operations, they will not be able start new venture. They think that they are unable to collect financial resources.

(iii) Lack of confidence in business: Lack of knowledge of available business opportunities is another mental barrier. They do not the procedures and formalities how to start business.

(iv) Disapproval of Family and Friends: In the Indian context, people do not support from their family members and friends. Family not affiliated to the business community. Family pressure also to go for secured jobs.

**B. Other Barriers :**



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Apart from the mental barriers, there are other forms of barriers that come in the way of developing entrepreneurship in the country. Some of these are mentioned below :

- (i) Lack of viable concept
- (ii) The inability of commercial application of an innovative idea
- (iii) Lack of market knowledge
- (iv) Lack of technical knowledge
- (v) Lack of seed capital/ working capital
- (vi) Lack of motivation
- (vii) Legal constraints and regulations
- (viii) Lack of business know-how
- (ix) Monopoly and protectionism.

**(b)**

Marketers are now able to filter their audience and reach out to a targeted segment with the new age marketing rather than the huge spill overs of the traditional ways. The ways are discussed below:

(i) A proper understanding of customers and their needs:

This is an important marketing concept that many businesses often ignore. An entrepreneur can address the needs of their customers if they do not know them in the first place. The first step in any marketing strategy is to know your customers well. It is only by understanding your customers that you will be able to address their needs and offer them the best products and services. Knowledge about your customers is your greatest asset when it comes to marketing.

(ii) Building a strong online presence:

Technology has transformed how businesses implement their marketing strategies. In the past, businesses largely relied on print and electronic media to advertise their goods and services. But with the advent of the internet, social media platforms such as Facebook and Twitter have proved to be the most effective marketing tools.

(iii) Providing value:

The basic principle for every business should be to offer value to its customers. As long as you are putting their interest first, they will always depend on you. Your marketing strategy should therefore be tailor-made to the needs of your customers. Marketing is about giving the public a sneak preview of what you are offering.

(iv) Social media marketing:

When considering a marketing strategy, you would want to reach as many people as possible. There's no point in advertising on platforms that have fewer people. Social media platforms command a huge following and you should take advantage of that by being active on every social media platform.

(v) Multi-channel marketing:

If you want to grab the attention of customers, then you need to get right in front of them. To achieve that and shine from the crowd, you will have to market via multiple channels.



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3. (a) Suggest ways to streamline the invoice verification process and reduce the occurrence of locked invoices. [7]

(b) Suggest some determinants of Working Capital. [7]

**Answer:**

(a) Invoice Verification: Every organization acquires goods or services to complete its business needs. Once goods are procured from a vendor and placed in company's premises through goods receipt, we need to pay to the vendor for the acquired goods and services. The amount to be paid along with the details of the material is provided by the vendor in the form of a document that is known as the invoice. Before paying to the vendor, we need to verify the invoice. This process of verifying the invoice before making a payment is known as invoice verification. The key points to note about invoice verification are as follows –

- Invoice verification marks the end of procurement, after purchase order and goods receipt.
- Invoice posting updates all the related documents in financials and accounting.
- Blocked invoice that varies from actual invoice can be processed through invoice verification.

One normally comes across the following terms in invoice verification –

- Posting of Invoice: Posting of invoice is done after having received the goods from the vendor and after having completed the goods receipt. The invoice received from a vendor is verified against cost, quantity, and quality by the ordering party, and then the invoice is posted against that purchase order. This is the phase where the vendor (seller) is paid from the company and reconciliation of the invoice and purchase order is accomplished. Follow the steps given below to post an invoice.
- Blocked Invoice: Sometimes the accounting department may not be able to pay a vendor as per the invoice raised. This may happen in the following scenario. You try to post an invoice; however, the system expects certain default value against the purchase order or the goods receipt and the posted invoice differs from the default value. This may lead to invoice blocking. Invoice blocking is caused due to –
  - Variance in amount at item level
  - Variance in quantity at item level

It is difficult to analyze small variances in invoice. So, tolerance limits are set up in the system and if the variance in the invoice is within the tolerance limit, then the system accepts the invoice. If the variance exceeds the tolerance limit, then it may lead to invoice blocking. In such cases, we need to manually unblock or release the blocked invoice if it has processed. Follow the steps given below to unblock an invoice.

- Evaluated Receipt Settlement (ERS): Evaluated Receipt Settlement (ERS) is an easy method of settling goods receipt automatically. If the ordering party has agreed with the vendor on all financial terms and condition, then it need not verify the invoice. Invoice will be posted automatically from the information present in the purchase order and the goods receipt. Given below are the advantages of having an ERS-
  - Purchase orders can be settled and closed quickly.
  - It reduces human efforts, as there is no need to verify the invoice.
  - Amount and quantity variances in invoice can be avoided with the help of ERS

(b) Determinants of Working Capital are:

The size or magnitude and amount of working capital will not be uniform for all organisations. It differs from one type of organisation to the other type of organisation. Depending upon various conditions and environmental factors of each and every organisation. There are many factors that determine the size of



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working capital. However, there are some factors, which are common to the most of the business concerns. Such factors are enumerated below :

1. Nature and size of the Business : A company's working capital requirements depends on the activities it carried on and its size too. For instance, public utility organisation or service organisation where its activities are of mere service nature, does not require high amount of working capital, as it has no need of maintaining any stocks of inventories. In case of trading organisation, the magnitude of working capital is high as it requires maintaining certain stocks of goods as also some credit to debtors. Further, if we go to manufacturing organisation the cycle period of working capital is high because the funds are to be invested in each and every type of inventory forms of raw-material, work-in-progress, finished goods as also debtors. Industrial units too require a large amount of working capital.

2. Production Policies : These policies will have a great significance in determining the size of the working capital. Where production policies are designed in such a way that uniform production is carried on throughout the accounting period, such concern requires a uniform and lesser amount of working capital. On the other hand, the concerns with production policies according to the needs of the customers will be peak at sometimes and require high amount of working capital. In seasonal industries too, where production policies are laid down tightly in the business season requires a high amount of working capital.

3. Process of Manufacture : If the manufacturing process of a particular industry is longer due to its complex nature, more working capital is required to finance that process, because, longer the period of manufacture, the larger the inventory tied up in the process and naturally requires a high amount of working capital.

4. Growth and Expansion of Business : A business concern at status requires a uniform amount of working capital as against the concerns which are growing and expanding. It is the tendency of any business organisation to grow further and further till its saturation point, if any. Such growth may be within the existing units by increased activities. Similarly, business concerns will expand their organization by establishing new units. In both the cases, the need for working capital requirement increases as the organisation increases.

5. Fluctuations in the Trade Cycle : Business activities vary according to the general fluctuations in the world. There are four stages in a trade cycle which affects the activities of any business concern. Accordingly, the requirements of working capital are bound to change. When conditions of boom prevail, it is the policy of any prudent management to build or pile up large stock of inventories of various forms to take the advantage of the lower prices. Such fluctuations cause a business concern to demand for more amount of working capital. The other phase of trade cycle i.e., depression i.e., low or absence of business activities cause business concerns to demand for more working capital. In condition of depression, the products produced are not sold due to fall in demand, lack of purchasing power of the people. As a result of which entire production obtained was not sold in the market and high inventories are piled up. Therefore, there arises the need for heavy amount of working capital. Thus, the two extreme stages of trade cycles make the business concerns to demand for more working capital. In the former case due to acts and policies of management and in the later case due to natural phenomena of trade cycle.

6. Terms and conditions of Purchases and Sales : A business concern which allows more credit to its customers and buys its supplies for cash requires more amount of working capital. On the other hand, business concerns which do not allow more credit period to its customers and seek better credit facilities for their supplies naturally require lesser amount of working capital.

7. Dividend Policy : A consistent dividend policy may affect the size of working capital. When some amount of working capital is financed out of the internal generation of funds such affect will be there. The relationship between dividend policy and working, capital is well established and very few companies declare dividend



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without giving due consideration to its effects on cash and their needs for cash. If the dividend is to be declared in cash, such outflow reduces working capital and therefore, most of the business concerns declare dividend now-a-days in the form of bonus shares as such retain their cash. A shortage of working capital acts as powerful reason for reducing or skipping cash dividend.

**4. (a) Recommend the Disadvantages of Crowdfunding. [7]**

**(b) Evaluate the applications of Data Analytics. [7]**

**Answer:**

**(a)**

Disadvantages of Crowdfunding :

There are two sides to every coin, and so it is with Crowdfunding. Accordingly, some disadvantages of the Crowdfunding are –

i. Inflexible :

One downside to Crowdfunding is the inability to make alterations to a campaign once it's launched. This means the description, terms and conditions, and allotted completion time cannot be changed. So, these are static in that sense. If entrepreneurs are forced to make changes to the campaign, they could find the project null and void and be required to give investors a refund.

ii. False and Negative Results :

Another common disadvantage of crowd funded campaigns is conclusions based on false-negative results. This is particularly true when looking at idea validation. For example, entrepreneurs could falsely conclude that the project failed because the product didn't meet a market need. However, in truth, its failure was largely down to poor marketing and a lack of understanding of what the product did. It does meet a market need – but just needs to be 'marketed' a little better.

iii. Time Consuming :

Many entrepreneurs fail to appreciate the time, effort, and planning a successful Crowdfunding campaign requires. Regular communication with investors, detailed financial reports, forecasts, POA (plan of action) for the invested funds, etc.

iv. Administration and Accounting :

This is more of a warning than a negative, but entrepreneurs need to consider the administrative and accounting challenges they will face.

v. Idea Theft :

Arguably the biggest drawback of publicly crowd funded campaigns is idea theft. This is very common picture in the periphery of startup business. Entrepreneurs are incredibly vulnerable to copycats swooping in, stealing their ideas, and taking them to other investors or corporations.

vi. Difficult for Non-Consumer Projects :

Currently, Crowdfunding campaigns are largely successful in the B2C (business-to-consumer) marketplace. It's not common to see the same success for B2B (business-to-business) ventures. This is largely down to the investment community. When they see a product that has a clear, tangible impact on consumers they can immediately identify with it. Its purpose is clear and they're more willing to invest. Services and other forms of non-consumer ventures are more difficult to interpret, and their value unclear.



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vii. Lack of Transparency :

Not everybody is keen on opening up financial and other sensitive information to the public. However, if an entrepreneur is looking to raise funding through one of these platforms, investors are going to need access to this material to make informed decisions. This is not for everybody, so think carefully before committing to a campaign.

viii. Access to Funds :

One of the drawbacks to Crowdfunding campaigns is that you have to wait until the allotted time is up before receiving the funds. Depending on the duration of the campaign this could be anywhere between 60-90 days, so definitely worth taking into consideration.

**(b)**

The applications of data analytics are:

- Transportation: Data analytics can be applied to help in improving Transportation System and the intelligence around them. The predictive method of the analysis helps find transport problems like Traffic or network congestion.
- Logistics and Delivery: There are different logistic companies like DHL, FedEx, etc. that use data analytics to manage their overall operations. Using the applications of data analytics, they can figure out the best shipping routes, and approximate delivery times, and also can track the real-time status of goods that are dispatched using GPS trackers.
- Manufacturing: Data analytics helps the manufacturing industries maintain their overall work through certain tools like prediction analysis, regression analysis, budgeting, etc. The unit can figure out the number of products needed to be manufactured according to the data collected and analyzed from the demand samples and likewise in many other operations increasing the operating capacity as well as the profitability.
- Education: Data analytics applications in education are the most needed data analyst in the current scenario. It is mostly used in adaptive learning, new innovations, adaptive content, estimation, assortment, investigation, and detailing of information about students and their specific circumstances, for reasons for comprehension and streamlining learning and conditions in which it happens.
- Healthcare: Applications of data analytics in healthcare can be utilized to channel enormous measures of information in seconds to discover treatment choices or answers for various illnesses. This is not just given precise arrangements dependent on recorded data yet may likewise give accurate answers for exceptional worries for specific patients.
- Energy and Utility: Many firms involved in energy management use data analysis applications in areas such as smart-grid management, energy distribution, energy optimization, and automation building for other utility-based firms.
- Communication, Media, and Entertainment: When it comes to creating content for different target audiences, recommending content, and measuring content performance, organizations in this industry analyse customer data and behavioural data simultaneously. Data analytics is applied to collect and utilize customer insights and understand their pattern of social-media usage.
- Fraud and Risk Detection: Detecting fraud may have been the first application of data analytics. They applied data analytics because they already had a large amount of customer data at their disposal.



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- Communication, Media, and Entertainment: When it comes to creating content for different target audiences, recommending content, and measuring content performance, organizations in this industry analyze customer data and behavioural data simultaneously. Data analytics is applied to collect and utilize customer insights and understand their pattern of social-media usage.
- Digital Advertisement : Digital advertising has also been transformed as a result of the application of data science. Data analytics and data algorithms are used in a wide range of advertising mediums, including digital billboards in cities and banners on websites.

5. (a) **Demonstrate the process of Design Thinking.** [7]  
(b) **Recommend Why Packaging is Important to Start-ups?** [7]

**Answer:**

(a)

Design thinking is a process for creative problem-solving. Rather, it is a strategy which provides a solution-based approach to solving problems. It's extremely useful when used to tackle complex problems that are ill-defined or unknown, because it serves to understand the human needs involved, reframe the problem in human-centric ways, create numerous ideas in brainstorming sessions and adopt a hands-on approach to prototyping and testing.

The steps are –

1. Empathize : The first stage of the design process is to understand the perspective of the target audience/customer/consumer to identify and address the problem at hand. To do this, design thinkers are encouraged to cast aside all assumptions (because assumptions can stifle innovation!) about the problem, the consumers, and the world at large. This allows them to objectively consider all possibilities about the customers and their needs.
2. Define : Putting together all the information gathered in the first stage, the next step is to define the problem statement clearly. The resulting problem statement should be captured in human-centered terms rather than focused on business goals. For example, instead of setting a goal to increase signups by 5%, a human centered target would be to help busy moms provide healthy food for their families.
3. Ideate : During the third stage of the design thinking process, designers are ready to generate ideas. You've grown to understand your users and their needs in the Empathize stage, and you've analyzed your observations in the Define stage to create a user centric problem statement. With this solid background, you and your team members can start to look at the problem from different perspectives and ideate innovative solutions to your problem statement.
4. Prototype : The design team will now produce several inexpensive, scaled down versions of the product (or specific features found within the product) to investigate the key solutions generated in the ideation phase. These prototypes can be shared and tested within the team itself, in other departments or on a small group of people outside the design team. This is an experimental phase, and the aim is to identify the best possible solution for each of the problems identified during the first three stages.
5. Test : Designers or evaluators rigorously test the complete product using the best solutions identified in the Prototype stage. This is the final stage of the five-stage model; however, in an iterative process such as design thinking, the results generated are often used to redefine one or more further problems.



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(b) There are various reasons to need a well-designed package to gain the trust of the new customer and market the businesses.

1. Good marketing strategy: Nowadays there are various marketing strategies available to promote the products. Product packaging is one of the best ways to promote and advertise the new launching products in the competitive markets. When the consumers purchased the products then they only recognized the design of the material. Through the wrapping of the material companies promote or market their material through the packages.
2. Maintain the product's safety: Without the packaging, selling the products is not possible, that's why companies use the wrapper. There are various types of packaging like cans, bags, cartons, boxes, trays, etc. As per the material protection, the companies select the type of packaging. The first reason for the wrapping of the material is to keep the products safe. For example, if there is one manufacturing industry that manufactures the juice then they use the 'cans' or 'aseptic processing' packaging to keep the juice safe.
3. Build your brand awareness : As we discussed before there are various competitors in the market and the competition start-up companies have to increase their sales for profits. To increase sales and for spreading brand awareness they use the unique wrapping design to make it different from the other brand's products. With the unique and attractive product wrapping companies reach several new consumers and grow their businesses. The poor design distracts the consumers, and the creative design helps the industries to convince the consumers to buy the products.
4. Stand out from the crowd The buyers are always looking for new products, if the companies launched the new products but the packaging is odd then the buyers never take interest in the products. The Start-up businesses want to stand out in the crowded market then they need wrapping designs that are simple and easily get the attention of the consumers to purchase the products.
5. Affect on purchasing decision : The product packages also affect the consumer's mind. With the packages, they make decisions about purchasing the products. An attractive package attracts consumers to buy the products. The design of wrapping is to communicate with the consumers and tell the story of the production.

6. (a) Critically assess the challenges and Opportunities of Sustainability? [7]

(b) Suggest the requirements for audit of a startup. [7]

**Answer:**

(a)

The challenges and Opportunities of Sustainability are:

1. The challenge is to find new ways of capturing values and income streams. But it's also an opportunity to create service-led business models rather than product-oriented ones.
2. The challenge is to develop a sustainable product portfolio via design for environment strategies. But it is also an opportunity to use Biomimicry, Dematerialization and Cradle to Cradle thinking in product development.



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3. The challenge is to bring a culture change within the organization and across the entire sector. But it is also an opportunity to frame the genesis of sustainability thinking in a particular sector.
4. The challenge is to communicate sustainability initiatives to various stakeholders. But it is also an opportunity to become open to scrutiny and thus building further trust.
5. The challenge is compliance with disclosures, norms and standards. But it is also an opportunity for innovative technologies and frugal engineering.
6. The challenge is to define industry specific metrics and the necessary tools to measure and improve. The opportunity is to forge partnerships with players that once were outside the scope of enterprise thinking.
7. The challenge is to create an environmental accounting balance sheet because of its complexity with lot of grey areas in between. The opportunity is to understand your firm's negative as well as positive external impacts.
8. The challenge is to incorporate sustainable behaviour into employee compensation. The opportunity is the inevitable culture change.
9. The challenge is to get the supply chain on board to change towards more sustainable business practices. The opportunity is the future value generated because of the cascade effect

**(b)**

**Requirement of Audit for Start-ups**

Every business does not necessarily require an Audit. There are some parameters which necessitate a financial audit for an organization, which are different depending on the nature of the business and type of company. For a Startup, an Audit may be required in several situations, some of which are listed below :

- (i) Lenders/Investors : In respect to Lenders and Investors, there can be two main circumstances when a financial audit may be required, which are explained as follows:
  - (ii) For Existing Lenders and Investors : A financial audit provides a comprehensive view of company's business and current state of affairs. Entities investing in a business may call for its Audit to receive an overview of company's financial records. An audit provides additional assurance to management's assertions regarding the financial situation of the business.
  - (iii) For interested Lenders and Investors : When an organization is properly audited, Lenders and Investors who are interested in investing in the business get an overview. Additionally, they may call for an Audit to know the company's pre-revenue circumstances and to accumulate possibilities of Gains and Losses.
  - (iv) Pre IPO (Initial Public Offering) : When an organization desires to list its small business as a public company to sell company's shares to the public in general, in such situation an Audit may be required. As before public offering it is important to list company's financial state with verified records.
  - (v) Selling-off : There may be circumstances in which an organization may want to sell of their business. In such situation, having properly audited records will help the buyers in analysing the risk factors, is any, in acquiring the business.
  - (vi) Compulsory Audit : In case of a Limited liability Partnership, if the turnover exceeds ₹40,00,000/- or the contribution exceeds ₹ 25,00,000/- in any year, an Audit is compulsory.

While on the other hand, for a Private Company, the accounts have to be compulsorily audited every financial year. A Private Limited Company has to appoint an Auditor within 30 days of its incorporation.



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The shareholders need to be informed if an Auditor is not appointed within 30 days of its incorporation. They require to appoint an Auditor within 90 days of its incorporation.

7. (a) **Critically assess the types of Organisational Change?** [7]
- (b) **Justify the key challenges faced by agri-entrepreneurs and recommend strategies to overcome them.** [7]

**Answer:**

(a)

There are different types of change and each type requires different strategies and plans to implement change effectively. Understanding of the nature of change helps in formulating appropriate strategy for their implementation.

The main types of changes are as follows :

- i. **Developmental change** : These changes enhance or rectify existing aspects of an organisation. It is connected with improvement in process, methods or performance standards of the organisation. These types of changes are very necessary to remain in competition. In this type of change the employees are trained in the new techniques.
- ii. **Transitional change** : This type of change replaces existing processes or procedures with something that is completely new. The period during which an old process is being changed into a new is called as the transitional phase. It is more challenging to implement transitional change than developmental change.
- iii. **Transformational change** : It is also known as radical, fundamental or quantum change. This occurs after the transition period. They may involve both developmental and transitional change. These changes involve the whole or larger part of the organisation. The change is related with shape, size, structure, processes, culture and strategy of the organisation. This change takes time to occur and requires a shift in assumptions of the organisation and its members.
- iv. **Incremental change** : They are directed towards any unit, subunit or part of the organisation. They are just opposite to the transformational changes and adaptive in nature. It is said that a failed incremental change causes less harm to the organisation as it is related with only a part of the organisation.
- v. **Planned change** : When the change is, a product of conscious reasoning and actions and is deliberate it is known as planned change. It occurs when manager recognises the need for major change and plans according to it. It is qualitative in nature. While thinking of planned change the manager must communicate the vision to each and every one involved in the change process and establish the support elements that are necessary for the success of change.
- vi. **Unplanned change** : They usually, occur due to some major or sudden surprise to the organisation. It is also known as emergent or reactive change. They are generally imposed by some external factors or internal features and are beyond the control of management. They lead to high disorganisation.



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- (b) Agri entrepreneurship development is necessary for improving the production and productivity. Despite of the fact, the rate of attainment is extremely low in India due to following reasons:
- Agriculture is largely a means of livelihood for most of the farmers. It is difficult for the uneducated small owner to turn their farming into an enterprise due to lack of adequate information, capital, technology and connectivity with the market.
  - There is a need to create consciousness among the farmers about the benefits of these services as they are unaware about it. The free service provided by the Government organizations for promotion of services should be discontinued. As lots of farmers, especially the politically associated leaders feel that the government is liable for providing extension and technical advisory services to the farmers. In addition, the services of these organizations do not reach to small farmers, particularly those living in distant areas. This concept of free service makes the farmers reluctant to avail compensated services offered by the local self-employed technicians.
  - There is need of regular back up services for self-employed technicians, contact with the marketing agencies, suppliers and research stations who are involved in the development of modern technologies.
  - They have to face several legal restrictions and obstacles and private traders involved in such business generally ignore these rules and disturb the fair trade environment.
  - Lastly, Organizations feels risk in making heavy investments and implementing modern technologies\ which affect the profitability. Thus, resultant farmer members lose interest in their own enterprises as well as in that of their leaders.

8. **PQR Ltd. is a leading start-up operating in healthcare segment. It has a healthy revenue stream and its revenue and profits are growing at a CAGR of 10% p.a. The company regularly procures medical equipment from USA on credit and buys other supplies from domestic suppliers. The operations of the company are well integrated through modern technology and a sophisticated information system. The company is heavily dependent on some key managerial personnel for smooth functioning. The company is a highly leveraged firm. It invests its surplus funds in both debt and equity securities. The company is expecting certain new regulations to come in place in near future. PQR Ltd. wants to introduce an Enterprise Risk Management system to monitor the risks it is subject to and to come up with some effective solutions to the same. The company has hired your consultancy firm.**

**Required: Prepare a detail report by highlighting the risk exposures and possible responses for each type of risk that should be taken care by the company for introduction of ERM system in the Company.**

**[14]**

**Answer :**

Report to the management of PQR Ltd in respect of introducing an Enterprise Risk Management System to monitor the risks.

The company should take into account the following risk exposures and possible responses against each such exposures.



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Risk Exposure	Possible Responses
Foreign exchange risk due to its buying medical equipment from USA on credit.	A forward or a future contract to lock the exchange rate may be helpful. Additionally, an option contract to profit out of favorable movement in exchange rate may also be explored.
Purchasing power risk due to high volatility in the price of other supplies sourced domestically.	Buying from multiple suppliers and hedging the price risk through some synthetic derivatives may help
Financial risk due to high leverage in its capital structure.	The company may try to reduce debts by issuing fresh equity if possible.
Operational risk due to high dependence on technology and key managerial personnel.	Regular maintenance of the system, cyber security measures will take care of systems risk while better package for employees will retain the workforce
Equity risk due to investment of surplus fund in equity shares.	Regular monitoring of the equity portfolio and use of derivatives to cover losses will be advisable.
Interest rate risk due to investment of surplus fund in debt securities.	Regular monitoring of the debt portfolio and use of derivatives to cover losses will be advisable. Use of passive or index debt funds may be explored.
Regulatory risk due to possible change in the regulation	Put more emphasis on compliance to reduce penalties.

A proposed Enterprise Risk Management System to monitor the risks in its organisation should take care of the issues as stated supra.