

Entrepreneurship PYQ 2020

Q1. 'Entrepreneurs have tolerance for ambiguity, are calculated risk takers, have high regard for integrity and reliability and possess high business related creativity'. Comment upon the statement and support your answer with traits of a successful Indian entrepreneur.

Ans1 The statement "Entrepreneurs have tolerance for ambiguity, are calculated risk takers, have high regard for integrity and reliability, and possess high business-related creativity" is a widely accepted view of the characteristics of successful entrepreneurs.

In the Indian context, there are several traits that successful entrepreneurs possess. One such trait is perseverance. Many successful Indian entrepreneurs have had to face numerous challenges and obstacles, such as limited access to capital and infrastructure, bureaucratic hurdles, and cultural biases. However, they have persevered through these challenges and worked hard to build successful businesses.

Another important trait of successful Indian entrepreneurs is their ability to innovate. Many Indian entrepreneurs have started businesses that have disrupted traditional industries, such as e-commerce, ride-sharing, and digital payments. They have also leveraged emerging technologies such as artificial intelligence, blockchain, and the Internet of Things to create new products and services.

Indian entrepreneurs also have a strong sense of social responsibility. Many successful entrepreneurs have used their wealth and resources to address social issues, such as education, healthcare, and poverty. They have established foundations, charities, and social enterprises to promote sustainable development and inclusive growth.

Finally, successful Indian entrepreneurs have a strong sense of ethics and values. They are committed to conducting their businesses with integrity and transparency, and they prioritize the interests of their customers, employees, and stakeholders. They understand the importance of building long-term relationships based on trust and mutual respect.

In conclusion, successful Indian entrepreneurs possess a combination of traits that enable them to navigate the challenges of starting and growing a business. They are resilient, innovative, socially responsible, and ethical. These traits are essential for entrepreneurs to succeed in a rapidly changing and complex business environment.

Q2. 'Venturing' implies risk taking. Do you agree? What is the need of disclosing "risk factors" in a business plan along with estimates of profitability and cash flows?

Ans2 Yes, I agree that "venturing" implies risk-taking. Venturing refers to the process of starting a new business venture, which often involves taking risks and uncertainties associated with a new business. Starting a new business involves numerous risks, such as market risks, operational risks, financial risks, and legal risks. The success of the venture depends on the entrepreneur's ability to manage these risks and make informed decisions based on the available information.

One of the important components of a business plan is the disclosure of "risk factors." These are factors that could negatively impact the success of the business. The disclosure of risk factors is

crucial because it helps investors and stakeholders understand the potential risks involved in the venture. By providing a comprehensive list of risk factors, entrepreneurs can help investors make informed decisions about the potential risks and rewards of investing in the venture.

In addition, risk factors also help entrepreneurs identify potential challenges and risks that could impact the success of their business. By acknowledging these risks, entrepreneurs can develop strategies to manage and mitigate these risks, thereby increasing the likelihood of success.

Finally, including estimates of profitability and cash flows is also crucial because it helps investors and stakeholders understand the financial potential of the venture. This information allows them to make informed decisions about investing in the business. However, it is important to note that estimates of profitability and cash flows are based on assumptions, and actual results may differ from these estimates. Therefore, entrepreneurs should also include a sensitivity analysis that shows how changes in key assumptions could impact the financial projections.

In conclusion, including risk factors along with estimates of profitability and cash flows is essential for a comprehensive and realistic business plan. These components help entrepreneurs manage risks, make informed decisions, and attract investors and stakeholders to their venture.

Q3. "A majority of the micro, small and medium enterprises are unregistered". Why do these enterprises choose to stay unregistered and how would they benefit by registering?

Ans 3 There are several reasons why many micro, small, and medium enterprises (MSMEs) choose to stay unregistered. Some of the common reasons include:

1. Avoidance of taxes: Unregistered businesses can operate without paying taxes, which can be a significant cost saving for the business owner.
2. Avoidance of legal compliances: Registered businesses are required to comply with various legal and regulatory requirements, which can be time-consuming and expensive.
3. Lack of awareness: Many MSMEs are unaware of the benefits of registering their business and the procedures involved in doing so.

However, there are several benefits of registering an MSME, some of which include:

1. Access to finance: Registered businesses are eligible for various government schemes and subsidies, which can help them access credit and other forms of finance.
2. Legal protection: Registered businesses have legal protection, which can help them to protect their intellectual property, assets, and business interests.
3. Enhanced credibility: Registered businesses have enhanced credibility, which can help them to attract customers, investors, and suppliers.
4. Access to markets: Registered businesses can participate in government tenders and other formal procurement processes, which can help them to access new markets and customers.

5. Eligibility for incentives: Registered businesses can avail of various incentives and benefits, such as tax exemptions, subsidies, and exemptions from certain legal compliances.

In conclusion, while it may be tempting for MSMEs to stay unregistered, there are significant benefits to registering their business. By doing so, they can access finance, legal protection, enhanced credibility, and new markets, and can avail of various incentives and benefits offered by the government.

Q4. Recently our government announced an economic stimulus and a number of systematic reforms to take the country on the path of “Aatma Nirbhar Bharat” (self-reliant India). Studying entrepreneurship through the semester and launch of these schemes has only turned your thinking into desire to start an enterprise of your own. An idea of manufacturing bathing soap has come to your mind. In your lecture classes you have been told that any idea to start an enterprise must be tested for its feasibility before starting the enterprise. How would you test the market and financial feasibility of your business idea?

Ans4. Before starting any business, it is crucial to test its feasibility to ensure its success. Here are some steps to test the market and financial feasibility of a soap manufacturing enterprise:

1. Market Research: Conduct thorough market research to analyze the current market trends, consumer preferences, competition, and potential demand for your product. You can use various methods such as surveys, focus groups, and online research to gather information.
2. Target Customers: Identify your target customers and understand their needs and preferences. Determine if there is a gap in the market that your product can fill, and if there is a potential market for your product.
3. Production Cost: Calculate the cost of producing your soap, including the cost of raw materials, manufacturing, packaging, and distribution. Determine the selling price of your soap based on production cost and profit margins.
4. Sales Forecast: Estimate the potential sales of your soap based on market research and target customers. Determine the break-even point and the time it will take to recover your initial investment.
5. Financial Analysis: Conduct a financial analysis to determine the financial viability of your enterprise. Calculate the return on investment (ROI), net present value (NPV), and internal rate of return (IRR) to determine the profitability of the enterprise.

By testing the market and financial feasibility of the soap manufacturing enterprise, you can determine if the idea is viable and if it can provide a return on investment. This analysis will also help you to make informed decisions about the enterprise and identify any potential risks or challenges.

Q5. “Just like a child has teething problems likewise business start ups are also likely to face some problems”. Elaborate the statement.

Ans 5 The statement "just like a child has teething problems likewise business start-ups are also likely to face some problems" is quite apt when it comes to describing the challenges that businesses face during their early stages. Just as teething is a natural process that every child goes through and requires patience and care from the parents, business start-ups too are likely to experience a range of challenges and difficulties that require perseverance, flexibility and problem-solving skills.

Some of the common teething problems faced by start-ups include:

1. Funding: One of the biggest challenges faced by start-ups is securing adequate funding to launch and sustain their business operations. This can involve approaching investors, banks, or crowdfunding platforms to secure seed funding.
2. Marketing: Another challenge is effectively marketing the product or service to the target audience and building brand awareness. This requires a deep understanding of the target market and a well-crafted marketing strategy.
3. Competition: Start-ups also need to be prepared to face stiff competition from existing players in the market. They need to differentiate themselves from the competition and provide unique value propositions to attract customers.
4. Recruitment: Hiring the right talent is crucial for the success of a start-up, but it can be challenging to attract top talent when the company is still in its early stages.
5. Legal Compliance: Compliance with regulatory requirements and legal formalities can be overwhelming for start-ups.

In conclusion, starting a new business is a challenging journey, and it is important to be prepared for the teething problems that might arise along the way. A resilient and adaptable approach, coupled with a strong business plan and a clear understanding of the target market, can help start-ups overcome these challenges and achieve long-term success.

Q6. Business incubators serve as a launchpad for new companies and provide them a host of facilities including space and training. Moreover, the wisdom of a mentor can accelerate the growth of an entrepreneur. Explain the role of incubators and mentors in supporting entrepreneurial activities in an economy.

Ans6 Business incubators and mentors play a crucial role in supporting entrepreneurial activities in an economy by providing various resources, support, guidance, and networking opportunities to entrepreneurs.

Incubators are organizations that provide a range of services, such as office space, equipment, mentoring, training, access to capital, legal and financial advice, and networking opportunities, to start-up companies. They aim to accelerate the development and success of start-ups by providing an environment that fosters innovation, collaboration, and growth.

The role of incubators is crucial as they provide the necessary resources and support to start-ups that may not have access to such resources otherwise. They also help entrepreneurs to overcome various challenges, such as lack of funding, lack of infrastructure, lack of knowledge, and lack of experience.

Mentors, on the other hand, are experienced individuals who provide guidance, support, and advice to entrepreneurs. They act as sounding boards, providing a fresh perspective, and sharing their experiences to help entrepreneurs avoid common pitfalls and make informed decisions. Mentors can also provide valuable connections and networks, which can be critical for the success of a start-up.

In conclusion, business incubators and mentors play a critical role in supporting entrepreneurial activities in an economy. They provide an enabling environment for entrepreneurs to thrive, and their support and guidance can make a significant difference in the success of a start-up.

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