

**SOLVED  
PAPER  
with CBSE  
Marking Scheme**

**C.B.S.E.  
2018  
Class–XII  
Delhi & Outside Delhi**

**Entre-  
preneurship**

Time allowed : 3 Hours

Max. Marks : 70

**General Instructions :**

- (i) All questions are compulsory.
- (ii) There are total 24 Questions in all.
- (iii) Marks for each question are indicated against it.
- (iv) Questions 1 to 5 are Very Short Answer Type questions carrying 1 mark each.
- (v) Questions 6 to 10 are Short Answer-I Type questions carrying 2 marks each.
- (vi) Questions 11 to 17 are Long Answer-I Type questions carrying 3 marks each.
- (vii) Questions 18 to 21 are Long Answer-II Type questions carrying 4 marks each.
- (viii) Questions 22 to 24 are Essay Answer Type questions carrying 6 marks each.
- (ix) Answers should be brief and to the point.
- (x) Please write down the serial number of the Question before attempting it.

1. Give the meaning of an entrepreneur. 1
2. State the liability of a partner. 1
3. What is meant by 'integrative negotiations'? 1
4. Differentiate between 'Sales Budget' and 'Marketing Budget'.
5. Deepak Industries is a sugar manufacturing unit in U.P. Due to various factors it started running into losses and was declared a sick unit by the State Confederation of Industries. It had assets and probability to revive if financial assistance could be made available.  
Name the financial organisation that can help Deepak Industries in this situation knowing well that it cannot furnish any collateral security against the loan sanctioned. 1
6. 'Safe Wheelers' is an upcoming cab service. The promoters knew that they are entering a highly competitive market. They gathered information on existing cab services and changing customer preferences and incorporated those observations into their operations. In order to reach the customers promptly, they developed an 'app' to book, track and trace the cabs 24×7. To create an environment of trust all drivers were grouped into two shifts: 6 a.m. – 6 p.m. for female drivers and 6 p.m. – 6 a.m. for male drivers. GPS systems were installed in all cabs to monitor their movements. The fare payment was either by an e-wallet or through the 'Safe Wheelers' Smart Card. As soon as the services were launched, they were a grand success.  
Identify and explain the concept that helped the company to succeed. 2
7. Give any two points of distinction between 'Basic Idea' and 'Post Scanning Idea'. 2
8. Rajiv and Ramesh entered into a verbal agreement to form a firm. They agreed to share its profits. Their business was running smoothly. One day a dispute arose between Rajiv and Ramesh regarding the profit sharing ratio. Rajiv decided to move the court and enforce his rights against the firm and Ramesh.  
Will Rajiv succeed ? Give reasons in support of your answer. 2
9. Various approaches may be used by a company to promote its products. One of them is the use of mass media methods by designing a promotion strategy that aims at establishing brand identity.  
Identify and explain this approach. 2
10. State any four powers of the Securities and Exchange Board of India. 2
11. While assessing the market, an entrepreneur has to prepare details on four factors, one of them being 'project innovation and change'. Explain briefly the other three. 3

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12. Bhoomika started a pottery unit employing differently abled people to make and sell sculptures made of clay. She also made sure that the material she used is easily decomposable. During the months of September and October she increased the scale of production as the festival of Diwali was round the corner.  
Identify the component of business environment at a macro level that is reflected in the above situation. Also identify any two values communicated by Bhoomika through her working. **3**
13. Picturising ahead every step in a long series of separate operations, each step to be taken in the right place, of the right degree and at the right time. Each operation is to be done at maximum efficiency. This is the objective of one of the components of a business plan.  
(i) Identify the component.  
(ii) There are three situations before the venture under this component. Explain briefly those three situations **3**
14. (i) What is meant by a 'Business Plan'?  
(ii) State any one importance of writing a business plan for each of the given interest groups :  
(iii) (a) Investors  
(b) Entrepreneurs. **3**
15. Why is 'Customer Relationship Management' important for any business ? Explain briefly. **3**
16. Paramveer Singh runs an online business for gym equipments. The annual demand for the Waist Flexers sold by him is 16,000 units. The annual holding cost of Waist Flexers per unit is ₹ 48 and the cost of placing an order is ₹ 1,500. Calculate the economic order quantity of Waist Flexers. **3**
17. This is a market where there is an option to sell and buy new and old financial instruments. It facilitates the transferring of financial resources from surplus units to deficit units.  
(i) Identify and define the market.  
(ii) Name the function of transferring of financial resources from surplus units to deficit units. **3**
18. Idea germination is the seeding stage of a new idea in the creative process. Explain the next four stages in the process. **4**
19. State any four primary activities that are essential for a firm to have a competitive advantage as given by Porter. **4**
20. Infotics Ltd. has been a socially responsible organisation determined to reduce waste production and do waste management. The company runs a low cost canteen for its employees. It uses the available waste in the form of vegetable and fruit skin and unused food is left during the day is put for composting. The methane gas so produced from this is used as fuel in the kitchen. This saves the fuel resources.  
(i) Identify the type of 'added value' in this process..  
(ii) Briefly explain any other type of 'added value' besides the one identified in (a) above.  
(iii) Also state any two values communicated by Infotics Ltd. to the society. **4**
21. Industrial finance is a very complicated problem. To meet the growing needs of the industries and entrepreneurs, heavy flow of finance is required. For this, various financial institutions have been established at the National and State levels. These institutions provide developmental finance :  
(i) Give the name of the group of financial institutions.  
(ii) Also, give any six points stating the need for such institutions. **4**
22. Raman is a potential investor who wishes to be a part of Equity Linked Saving Scheme (ELSS). He has given the particulars of two companies to seek your advice for investment. Compare the Return on Equity of the two companies and suggest to Raman where he should invest. **6**

| Particulars                      | Alpha Ltd. (Rupees) | Beta Ltd. (Rupees) |
|----------------------------------|---------------------|--------------------|
| Total Capital Invested           | 20,00,000           | 20,00,000          |
| Owned Funds                      | 10,00,000           | 10,00,000          |
| Interest on Borrowings from Bank | 60,000              | 50,000             |
| Cost of Goods Sold per month     | 7,00,000            | 8,50,000           |
| Monthly Sales Revenue            | 10,00,000           | 15,00,000          |
| Salaries                         | 2,40,000            | 3,60,000           |
| Utilities                        | 75,000              | 1,00,000           |
| Depreciation                     | 5,500               | 6,000              |
| Tax Rate                         | 20%                 | 25%                |

23. 'Mittil Ltd' is a leading company for manufacturing of soft toys for children. The company is in the process of developing a prototype for a talking pillow, 'Talk O Hug', which would enable parents to convey messages to

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their children when they are away at work. The mechanism is such that the message is recorded in the device in the pillow and the moment the child touches the pillow, the speaker sensors would repeat the message recorded by the parents for their children. Though an innovation for India, imported versions of this product are already available in the market. The management wanted to device a pricing strategy to target the 'switches' present in the market.

- (i) Identify the pricing strategy that the management is planning to adopt. State the marketing objective of the company behind this pricing decision.
- (ii) State any two advantages and one disadvantage of adopting this pricing policy to 'Mittil Ltd.
- (iii) Keeping in mind the nature of the product, suggest the distribution channel that would suit the company for distributing 'Talk O Hug'.

6

24. Dr. Bhim is a senior cardiologist and is concerned about the depleting health index. He researched and found that proper eating habits can improve the quality of life. He initiated 'MediBytes', a unique canteen, where the food is provided as per one's health needs. The food served at 'MediBytes' has no fast food and no aerated drinks. It provides zero oil food with all the basic nutrients required for the body. Initially health conscious, 'MediBytes' is planning to open their branches in other locations also.

- (i) Identify and explain the idea field that was explored by Dr. Bhim.
- (ii) State any two idea fields with examples other than the one identified in (a) above.

6

6



## CBSE Marking Scheme (Issued by Board)

1. Entrepreneur is anyone who always searches for an opportunity.

(Any other suitable definition)

[CBSE Marking Scheme, 2018] 1

### Detailed Answer :

Entrepreneur is one who always searches for an opportunity. He takes risk of starting a venture; he is a wealth generator, job generator, innovative and creative.

1

2. Unlimited liability. 1
3. Integrative negotiations are commonly referred to as—win-win. In this type of negotiation, each side is working towards a solution where everyone wins something. 1
4. Sales budget is an estimate of future sales, often broken down into both units and currency. It is used to create company sales goals. Marketing budget is an estimate of the funds needed for promotion, advertising, and public relations in order to market the product or service. 1
5. Industrial Investment Bank of India Ltd. (IIBI). 1

### 6. Environment Scanning

Careful monitoring of an organization's internal and external environment for detecting early signs of opportunities and threats that may influence its current and future plans. [CBSE Marking Scheme, 2018] 2

### Detailed Answer :

**Image building :** 'Safe Wheelers' cab service is sensitive to the external environment, it has developed an App to book, track and trace the cabs 24 × 7. Also drivers were grouped into two shifts. This would build the image or reputation of the firm in the eyes of the general public. 2

### 7. Basic idea vs Post scanning idea :

| S. No. | Basic idea   | Post scanning idea  |
|--------|--|---|
| (i)    | While the initial spotting of ideas (i.e., basic idea) is of a random nature | the development of ideas after scanning the environment (i.e., post scanning) idea is a more purposeful activity. |
| (ii)   | Basic Idea is an experiential process  | Post scanning idea is a strategic process.  |
| (iii)  | Has to undergo the vigorous process  | Also undergone the process.   |

(Any two) (Marks to be given only for correct difference) 2

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8. No, Because the firm is not registered and the partners of an unregistered firm cannot enforce their rights against the firm and other partners.
9. Above the line- These promotions use mass media methods. This type of promotion focuses on advertising to a large audience. It includes conventional media like print, online, television and cinema advertising. The activities include advertisements in the press. They also produce online banner advertisements, place advertisements on billboards and use their website to meet the needs of their consumers. 1 + 1 = 2
10. For the discharge of its functions efficiently, SEBI has been vested with the following powers:
- (i) To approve by-laws of stock exchanges, SEBI
  - (ii) To enquire the stock exchange to amend their by-laws.
  - (iii) Inspect the books of accounts and call for periodical returns from recognized stock exchanges.
  - (iv) Inspect the books of accounts of financial intermediaries.
  - (v) Compel certain companies to list their shares in one or more stocks exchanges.
  - (vi) Levy fees and other charges on the intermediaries for performing its functions.
  - (vii) Grant license to any person for the purpose of dealing in certain areas.
  - (viii) Delegate powers exercisable by it.
  - (ix) Prosecute and judge directly the violation of certain provisions of the Companies Act.
  - (x) Power to impose monetary penalties. (Any four)  $\frac{1}{2} \times 4 = 2$
11. Selection of a product or service will depend upon many factors. While assessing the market, an entrepreneur has to prepare details on the following lines:
- (i) **Demand** : The demand assessment will be based on the size of market being targeted, i.e., local markets, market at state level or national/international market. It will also involve a study of the target groups of consumers, their preferences, tastes and other related variables.
  - (ii) **Supply and nature of competition** : While assessing market, supply position is also studied by entrepreneurs. By supply position what is meant is the complete picture of quantities of the product made available in the market by all the existing players. It should take into account future supplies from possible entrants in the field.
  - (iii) **Cost and price of product** : It is important to determine the cost of the product and its comparison with available products in the market. Cost variable of competitors in terms of transportation delays, wastage, storage etc., have to be studied to spot cost advantage. This will influence the delivery mechanism of the identified product or service. 3
12. Ecological Environment.
- Values:**
- (i) Social Responsibility
  - (ii) Concern for the society
  - (iii) Respecting differences (Any two or other suitable value relating to the question) 3
13. (a) **Production plan**
- (b) **Most likely there are three situations before the venture viz.**
- (i) **No manufacturing involved:** If the new venture does not include any manufacturing function, say it's a trading firm or a service provider, then this section will stand eliminated from the plan.
  - (ii) **Partial manufacturing:** If some or all the manufacturing process is to be subcontracted or out sourced, then the production plan should describe:
    - Name and location of subcontractor(s)
    - Reasons for their selection
    - Cost and time involved
    - Any contracts that have been completed etc.

In such cases, a clear mention of what entrepreneur intends to do himself and what he plans to get it done from outside is required.
- (c) **Complete Manufacturing:** If the manufacturing is to be carried out in whole by the entrepreneur, he/she will need to describe:
- (i) the physical plant layout,
  - (ii) the machinery and equipment required to perform the manufacturing operations,
  - (iii) raw materials and suppliers names, addresses, terms and conditions,
  - (iv) cost of manufacturing,
  - (v) any future capital equipment required etc.  $\frac{1}{2} + 3$



14. (a) The business plan is a comprehensively written down document prepared by the entrepreneur describing formally all the relevant external and internal elements involved in starting a new venture.
- (b) (i) **Investors** : As the investors/lenders focus on the four Cs of credit : character, cash flow, collateral and equity contribution, it is the business plan which reflects the entrepreneur's credit history, the ability to meet debt and interest payments, and the amount of personal equity invested thus serving as an important tool in funds procurement.
- (ii) **Entrepreneurs**:
- (a) Helps in determining the viability of the venture in a designated market
- (b) Helps in providing guidance to the entrepreneur in organizing his/her planning activities as such:
- Identifying the resources required
  - Enabling obtaining of licenses if required etc.
  - Working out with legal requirements as desired by the government.
- (c) Provides room for self-assessment and self-evaluation, requiring entrepreneur to think through various scenario and plan ways to avoid obstacles. 3
15. (i) It can help to understand the customer in a better way
- (ii) It will retain customers through better customer experience
- (iii) It will help to attract new customers
- (iv) Helps in winning new clients and contracts
- (v) It will lead to increase profitability of the organization.
- (vi) Helps in decreasing customer management costs (Any three) 3

16. **Formula :**

$$\sqrt{\frac{2 \times \text{annual usage} \times \text{ordering cost per unit}}{\text{Carrying cost per unit}}}$$

Thus as : annual demand ₹ 16000

order cost = ₹ 1,500

annual carrying cost of 1 unit = ₹ 48

$$\begin{aligned} \text{EOQ} &= \sqrt{\frac{2 \times 16,000 \times 1,500}{48}} \\ &= \sqrt{10,00,000} \\ &= 1,000 \text{ units} \end{aligned}$$

3

17. (a) **Capital Market** : A capital market may be defined as an organized mechanism meant for effective and smooth transfer of money capital or financial resources from the investors to the entrepreneurs. Here, productive capital is raised and made available for industrial purposes.
- (b) **Financial Intermediation**. 3

18. **Preparation**: On the basis of the idea, interest and curiosity the need is adjudged by the entrepreneur and he starts looking for the answer to implement the idea. If the idea is to launch a new product or service then market research is conducted.

**Incubation** : This is the subconscious assimilation of information. This is the transition period.

**Illumination** : In this period of illumination the idea re-surfaces in realistic way and entrepreneur comes out with viable plan to give practical shape by collecting raw-material, arranging funds, policy-making for the implementation of idea.

**Verification**: Also called the validation or testing stage. This is where the idea is verified to prove that it has value. This is the most difficult phase of creativity as obstacles begin to appear.

This is the developing stage in which knowledge is developed into application. (Steps to be in sequence) 4

[CBSE Marking Scheme, 2018]

**Detailed Answer :**

Next four stages of idea germination : (any four)

(i) **Preparation :**

(a) This is the stage where an entrepreneur starts looking for the answer to implement the idea.

(b) Market research should be done before the launch of a new product.

**Example** : Samsung has done a lot of market research in India before launching its smart phones in the country.

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- (ii) **Incubation :**
- (a) This is the stage where an entrepreneur starts process of studying the pros and cons of manufacturing the product.
  - (b) This is the transition period.
- (iii) **Illumination :**
- (a) Practical shape is given to the idea.
  - (b) Collection of raw material.
  - (c) Arranging funds.
  - (d) Policy making for the implementation of idea.
- (iv) **Verification :**
- (a) It is also known as testing stage.
  - (b) It is verified that idea is valuable or not.
  - (c) This is the stage where entrepreneur starts facing obstacles.
  - (d) This is the stage where knowledge is developed into application.
- (v) **Innovation :**
- (a) Translation of idea into a successful venture.
  - (b) To work out analytically all the details of the enterprise.
  - (c) To develop marketing strategies.
  - (d) To organize the finances and strategize operations.
19. **Primary activities :**
- (i) **Inbound logistics :** Goods being obtained from the organisation's suppliers and to be used for producing the end product.
  - (ii) **Operations :** Raw materials and goods are manufactured into the final product. Value is added to the product at this stage as it moves through the production line.
  - (iii) **Outbound logistics :** Once the products have been manufactured, they are ready to be distributed to distribution centres, wholesalers, retailers or customers. Distribution of finished goods is known as outbound logistics
  - (iv) **Marketing and sales :** Marketing must make sure that the product is targeted towards the correct customer group. The marketing mix is used to establish an effective strategy, any competitive advantage is clearly communicated to the target group through the promotional mix.
  - (v) **Services :** After the product/service has been sold, what support services does the organization offer customers? This may come in the form of after sales training, guarantees and warranties. **Any four 1×4=4**
20. (i) Environmental added value
- (ii) Other type of added value :
- (a) **Quality added value :** Quality added value is basically adding convenience, ease of use or other desirable characteristics that customers value. For example, turning a commodity into a branded product or design enhancements like pull tabs for easy opening or sipper tops on beverage bottles.
  - (b) **Cause-related added value :** Cause-related added value is a social marketing strategy where business contributes part of the revenue from a product or service to a cause. For example, a business may donate a percentage of revenue from each transaction to a cause such as an educational facility for disadvantaged children or a wildlife sanctuary.
  - (c) **Cultural added value:** Cultural added value is also a social marketing strategy that employs methods or systems of production involving cultural aspects or allow for the needs and sensitivities of cultural groups. *For example, producing kosher food (in accord with Jewish law) or using a combination of English and the language of other ethnic groups in a community in written communications.* **(Any one)**
- (iii) Social responsibility, Concern for the community **(Any other related value as per the question) 4**
21. (i) Specialised financial institutions.
- (ii) Establishing of SFI's facilitated :
- (a) Provision of sufficient long-term funds in the desired sectors in accordance with planned priorities to the industrial units and entrepreneurs.
  - (b) New and small entrepreneurs in setting up industry.
  - (c) Development of (i) small scale industry and (ii) projects in backward areas.
  - (d) Provision of technical and managerial advice to the entrepreneurs, facilitating thus, in identification, evaluation and execution of new investment enterprises.
  - (e) Underwriting of and direct subscription to the issue of shares and debentures in the capital market of the upcoming ventures.
  - (f) Establishment of enterprises which require extra-ordinarily large amount of finance for their projects with a long-gestation period. **(½ marks for each point) 4**

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**22. Return on Equity = Profit after interest and tax / Equity × 100**

| Particulars                                   | Alpha Ltd.                             | Beta Ltd.                             |
|---|--|---------------------------------------|
| Sales Revenue (Yearly)                        | 1,20,00,000                            | 1,80,00,000                           |
| COGS (Yearly)                                 | 84,00,000                              | 1,02,00,000                           |
| GROSS MARGIN                                  | 36,00,000                              | 78,00,000                             |
| Less :  |  |                                       |
| (i) Salaries Paid                             | 2,40,000                               | 3,60,000                              |
| (ii) Interest paid                            | 60,000                                 | 50,000                                |
| (iii) Utilities                               | 75,000                                 | 1,00,000                              |
| (iv) Depreciation                             | 5,500                                  | 6,000                                 |
| Profit after interest before tax              | 32,19,500                              | 72,84,000                             |
| Less Tax                                      | 6,43,900                               | 18,21,000                             |
| Profit after interest and tax                 | 25,75,600                              | 54,63,000                             |
| R, Profit after interest and tax/Equity × 100 | 25,75,600/10,00,000 × 100 =<br>257.56% | 54,63,000/10,00,000 × 100 =<br>546.3% |
| Return on Equity                              | 257.56%                                | 546.3%                                |

Raman should invest in Beta Company as its ROE is better than that of Alpha Company

(1 mark for the formula; 2 marks for table/format/components;

1 mark for ROE of Alpha; 1 mark for ROE of Beta;

1 mark for the final answer i.e., Beta)

23. (i) **Penetration Pricing:** Penetration pricing is most commonly associated with a marketing objective of increasing market share or sales volume, rather than to make profit in the short term. The price will be raised later once this market share is gained.

(ii) **The advantages of penetration pricing to the firm are:**

- It can result in fast diffusion and adoption. This can achieve high market rates quickly. This can take the competitors by surprise, not giving them time to react.
- It can create goodwill among the early adopters segment. This can create more trade by word of mouth.
- It creates cost control and cost reduction pressures from the start, leading to greater efficiency.
- It discourages the entry of competitors. Low prices act as a barrier to entry
- It can create high stock turnover throughout the distribution channel
- This can create critically important enthusiasm and support in the channel. (Any two)

**Disadvantages or penetrating price method :**

- The main disadvantage with penetration pricing is that it establishes long-term price expectations for the product and image preconceptions for the brand and company. This makes it difficult to eventually raise prices.
- Another potential disadvantage is that the low profit margins may not be sustainable long enough for the strategy to be effective. (Any One)

(iii) Direct level. (Any Two)

24. (a) **Service sector ideas :** Entrepreneurial opportunities are not only restricted to the manufacturer. Service sector is the most growing field these days, the world over, thanks to emerging knowledge societies and advancements in Information and Technology. So, new opportunities can be identified by understanding the linkages to different business activities.

OR

**Market driven or demand driven ideas :** Market research yields valuable data about trends of supply, demand and consumer preferences. Market research is a key factor to maintain competitiveness over competitors.

OR

**Creative efforts :** Apart from applying creativity to spot and harness opportunities, it can also be applied to develop new products and services.

**There are basically five ways in which creative ideas can be generated:**

- Develop a new product or service.
- Improve an existing product or service

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(c) Find a new process or resource for manufacturing a product.

(d) Find new markets for existing products or services.

(e) Find a new use of an existing product or service.

A very useful concept to bear in mind is that, most often creative products and services are born as results of problem solving.

The child could have written any one of the above options and should not have explained the same option in (b) part.

(b) (i) **Natural resources** : Ideas can be generated based on natural resources. A product or service may be desired from forest resources, agriculture, horticulture etc.,

(ii) **Existing products or services**: A great business idea combines skills with imagination and market demand.

(iii) **Trading related ideas** : Trading these days is not limited to ordinary grocer or distributor outlets. With increasing consumerism, the scope and nature of trade has enlarged; local trade, import and export, e-commerce are all making trading a very wide area of enterprise.

(Any two with proper examples)

[CBSE Marking Scheme, 2018] 6

#### Detailed Answer :

(a) **Idea field explored by Dr. Bhim—Natural Resources** : An entrepreneur can generate ideas on the basis of natural resources available. He may think about producing the goods or services based on agriculture, mineral, animal husbandry, wind, sun and horticulture etc.

| Natural resources                             | Existing use  | Potential use  |
|---|---|--|
| Coconut oil                                   | Mainly it is used as hair oil.  | <ul style="list-style-type: none"> <li>Coconut oil gives a protective shine to wood furniture.</li> <li>It can be used for cooking.</li> <li>Coconut oil fights these fungal infections internally and externally.</li> </ul>  |
| Water resources (sulphur, spring, waterfalls) | Mainly water resources are for domestic and recreational use.                             | <ul style="list-style-type: none"> <li>Water resources can be used to open a water plant.</li> <li>Water resources can be utilised for :               <ul style="list-style-type: none"> <li>(i) Residential, commercial and industrial use</li> <li>(ii) Irrigation</li> <li>(iii) Hydropower</li> </ul> </li> </ul> |
| Basil (Tulsi)                                 | The most common use of basil is for cooking, such as in tomato sauce, pesto, or vinegars. | <ul style="list-style-type: none"> <li>Medicines</li> <li>Herbal home remedies.</li> </ul>   |
| Lumber  | Mainly lumber is used to make timber.   | Lumber can be used for making furniture and other wood based products.   |

(b) (i) **Existing Products or Services** :

- Entrepreneurs play important role in improving the products and services already exist in the market. *For example:* LCD TV to LED TV, black and white computer screen to colour monitors.
- There are new techniques and strategies being developed in every service like teaching, medicine and management etc.
- An entrepreneur will be called successful only when it finds different ways to make an existing product or service better.
- If there is a constant change in the products or service offered by an entrepreneur, in such a case, entrepreneur must keep an eye on the latest trends adopted by the competitors.
- An entrepreneur must ensure that changes in existing products and services would help in increasing in the sales and revenue.

(ii) **Market Driven or Demand Driven Ideas** :

- Market research plays important role in generating the business ideas. An entrepreneur must collect the valuable data about the taste and preferences of the customers, latest trends, demand and supply, competition level and market size.
- Market research helps in understanding the environment and gathering valuable information. It also helps in decision making.

