



INDIAN SCHOOL AL WADI AL KABIR

Class: XII Entrepreneurship	Department: Commerce
Worksheet No: 4	Topic: ENTERPRISE GROWTH STRATEGIES

MULTIPLE CHOICE QUESTIONS (1 MARK)

1.Assertion: The business concern may expand its present production capacity by adding more machines or by replacing old machines with the new machines with higher productive capacity.

Reason: Internal expansion may be financed by the issue of more share capital, generating funds from old profits or by issuing long-term securities.

- A. Assertion and reason is correct and reason is the correct explanation
- B. Assertion and reason is correct but reason is not the correct explanation
- C. Assertion is wrong, reason is correct
- D. Both are wrong.

2._____is the ingredient of a franchise agreement which outlines the marketing and advertising procedures to be used by franchisee. (Choose the correct option to fill up the blank)

- A. Contract explanation
- B. Operations manual
- C. Ongoing site maintenance
- D. Proprietary statements

3.This an arrangement whereby the manufacturer or sole distributor of a trademarked product or service gives exclusive rights of local distribution to independent retailers in return for their payment of royalties and conformance to standardized operating procedures". Identify the concept.

- A.Merger
- B.Franchise
- C.Consolidation
- D.Amalgamation

4. In _____ acquisition, the purchasing company becomes a subsidiary of the purchased company.

- A. friendly
- B. reverse
- C. backflip
- D. hostile

5.It outlines how the franchise name is to be used, as well as the marketing and advertising procedures in place that the franchisee will be required to follow.

Identify the ingredient of franchise agreement.

- A. Contract Explanation
- B. Operations Manual

- C. Proprietary Statements
- D. Ongoing Site Maintenance

6. The manufacturer grants a store owner the authority to distribute goods by the manufacturer and allows the owner to use the name and trademark owned by the manufacturer. The store owner must pay a fee or purchase a minimum inventory of stock in return for these rights. Some tyre stores are good examples of this type of franchise.
- A. Business format franchise opportunity
 - B. Business franchise opportunity ventures
 - C. Manufacturing franchise opportunity
 - D. Product franchise business opportunity

7. This type of franchise is found most often in the food and beverage industry. Most bottlers of soft drinks receive a franchise from a company and must use its ingredients to produce, bottle and distribute the soft drinks.
- A. Business format franchise opportunity
 - B. Business franchise opportunity ventures
 - C. Manufacturing franchise opportunity
 - D. Product franchise business opportunity

8. Fitness Ltd., a leading manufacturer of athletic shoes decided to join together with Fizz Up, an energy drink manufacturing company especially for sports people. The new company, Fitness Up, would help the existing companies to extend their markets as goodwill of both would be encashed.

Identify the type of merger described above.

- A. Vertical
- B. Conglomerate
- C. Horizontal
- D. Market Extension

9. In the year 2022, the social media application "Chowpal" acquired "Socialite" at a purchase value of \$1 billion. Both the entities operated in the social media industry and offered similar products as part of their photo-sharing services. However, Chowpal intended to further bolster its market position in the social media space, and the acquisition of Socialite exactly fitted in its scheme of the plan. The merger eventually helped Chowpal in increasing its market share, eliminating competition, and gaining access to a wider audience.

Identify the type of merger:

- A. Vertical merger
- B. Horizontal merger
- C. Market extension merger
- D. Product extension merger

CASE BASED/COMPETENCY BASED/ DESCRIPTIVE TYPE QUESTIONS: (2/3/5 Marks)

10. How is franchising a better option for external expansion in case of start-ups?
11. Elaborate the advantages of a franchise form of business to a franchisee.

12. What is the most essential component of mergers? Distinguish between the two forms of this component. How does this factor play a key role in deciding whether any organization should go for a merger?

13. Jiya, a full-time dietician having a branch in New Delhi has opened another clinic in the same city. She will juggle between two branches on alternate days of the week. Additionally, she has decided to merge her business with a firm manufacturing protein shakes in different flavors. These shakes are effective in weight management for adults. The cans for all the flavors are displayed and sold in both the clinics.

Giving reasons, identify the two types of expansion strategies used by Jiya.

14..Hotel Saravana Bhavan is the largest vegetarian restaurant chain in the world, founded in 1981 byRajagopal, offers south Indian cuisine. They have more than 20 outlets in Chennai, 33 in India and 47 around the world (including USA, Canada, United Kingdom, France, Germany, Singapore, Malaysia, and the Middle East). There are plans to open 5-star Vegetarian-Hotels. They have adopted the policy of appointing a businessman who got exclusive rights of local distribution and provide their restaurant service in conformance to standardized operating procedures. For this purpose, Hotel Saravana Bhavan entered into an agreement with the local business man and in return earn royalty as well as expand their business.

a. Identify the type of expansion adopted by Hotel Saravana Bhavan.

b. Identify the role of Hotel Saravana Bhavan in above given case study.

c. Discuss the are the advantages enjoyed by Hotel Saravana Bhavan?

15. Golden Sweets' was a partnership firm, owned by Swati and Sushma. 'Asam Sweets' was another partnership firm owned by Vipin and Pranav. Swati and Sushma were sharing profits in 1:2ratio and Vipin and Pranav were sharing profits in 2:3 ratio. Both the firms were situated in a famous market of Guwahati and were doing competitive business. Pranav the partner of 'Asam Sweets' observed that many of their customers were from far off areas and if branches of 'Asam Sweets' are opened in other parts of the city; the firm may earn huge profits. Similar was the situation of 'Golden Sweets'. One day in a function at a common friend's house, the partners of both the firms knew that the internal expansion of their respective firms will be costly. Hence, they decided about the merger of the two firms. For this purpose, they decided to meet again to finalize the conditions of merger. Finally, on 1.1.2016 their respective firms were merged and a new firm 'Asam Golden Sweets' was formed with all the four partners Swati, Sushma, Vipin and Pranav. Their new profit-sharing ratio was 1:2:2:3. During the year ended 31.12.2016 the new firm openedfour new branches in different parts of the city and earned a profit of 30% on sales.

(a) Identify the type of merger adopted by the two firms and also give its meaning.

(b) Name and define two other types of mergers.

16. Raman started a gym named as 'Strong Body'. He installed large number of machines and equipment's of different types and appointed qualified trainers to help the customers in the use of machines. Initially he kept a low fee per hour so that boys and girls belonging to the poor families may also avail the facilities of the gym. Very soon his gym became popular and he started operating in three shifts. For this is appointed additional trainers. He also installed extra machines so that more customers could be enrolled. In one year, he started earning good profit. He took a nearby building on rent and started a 'Recreation and Health Club' for the senior citizens of the locality on very nominal charges. He also encouraged young boys and girls to participate in the cleanliness drive started by Prime Minister. They agreed and started giving onehour daily for cleanliness of the nearby areas before opening of

the 'strong body' gym and 'recreation club'.

Identify and explain the type of business expansion that took place under the entrepreneurship of Raman.

17. Source Based Question:

"Fone India Ltd. is the second largest mobile network operator in India by subscriber base, after Virel. Huber Evel Ltd (HEL) was another leading mobile operator in India. In the year 2007, Fone India Ltd., acquired a 52 % stake in HEL. Fone India's main motive in going in for the deal was its strategy of expanding into emerging and high growth markets which will lead to improved profitability in the business."

a. Quoting the lines from the passage identify and explain reasons for taking up a stake by Fone India Ltd.

b. Also explain any three reasons apart from the one identified in part (a).

18. Beta Ltd. is a steel manufacturing company having its headquarters at Mumbai. It is the tenth largest steel manufacturing company of the world. Gama Ltd. are also steel manufacturers with their headquarters in Ranchi. For a long period, the company (Gama Ltd) had been facing workers unrest and it decided to sell its business to an international bidder. The highest bid for this was made by Beta Ltd. for Rs. 10 lakh crores. The employees of the two entities have different corporate cultures and styles of leadership but the new management took steps to slowly reduce the culture gap and adapt to the new merged working environment. The M&A route is adopted as one can enter the market with greater ease and avoid too much competition and increase sales and profits. It leads to the overall growth of the firm.

(a) Identify the growth strategy adopted by Beta Ltd.

(b) Discuss the different types of growth strategy as identified in (a).

19. Kamal Ltd. are manufactures of textiles, having their plant in Surat, a city of Gujarat. Vastra Ltd. are the manufactures of readymade garments and sell their products throughout the country. They also export their products to America and European countries. Vastra Ltd. source their textiles from Kamal Ltd. The management of the two companies decided to merge to have economies of large-scale production.

(a) Identify the type of merger entered into by Kamal Ltd. and Vastra Ltd.

(b) Explain two types merger other than the one identified in (a) above.

20. Refer to the images given below:



(a) Identify the type of enterprise growth strategy adopted in the two scenarios indicated in the aforesaid image.

(b) List the two forms of the growth strategy indicated.

