CBSE Class 12 Entrepreneurship 2026 Question Paper with Solutions

Time Allowed :3 Hours	Maximum Marks :80	Total Questions :30

General Instructions

Read the following instructions very carefully and strictly follow them:

1. *This question paper contains 30 questions. All questions are compulsory.*
2. *Question paper is divided into five Sections – Section A, B, C, D and E.*
3. *Section A - Question Nos. 1 to 17 are Multiple Choice (MCQ) type questions. Each question carries 1 mark.*
4. *Section B - Question Nos. 18 and 19 are Source based questions. Each question carries 3 marks.*
5. *Section C - Question Nos. 20 to 23 are Short Correct Answerwer (SA) type questions. Each question carries 3 marks. Correct Answerwer to these questions shall be written in 80 to 100 words.*
6. *Section D - Question Nos. 24 to 28 are Long Correct Answerwer (LA) type questions. Each question carries 5 marks. Correct Answerwer to these questions shall be written in 120 to 150 words.*
7. *Section E - Question Nos. 29 & 30 are Map based questions. Each question carries 5 marks.*
8. *In addition to this, NOTE that a separate question has been provided for Visually Impaired Candidates in lieu of questions having visual inputs, map etc. Such questions are to be attempted by Visually Impaired Candidates only.*

1. Rudra Cafe, a chain of organic cafes in Delhi, wanted to expand its business in other cities too. Due to rising inflation, the cost of organic products, dairy, coffee beans, etc., has risen sharply. At the same time, the Reserve Bank of India has increased interest rates, making bank loans more expensive. The cafe, therefore, delayed its expansion plans until borrowing becomes cheaper. Identify the element of macro environment affecting Rudra Cafe.

(A) Technological environment
(B) Economic environment
(C) Social environment
(D) Political environment

Correct Answer: (B) Economic environment

Solution:
Step 1: Understanding the Concept:

The macro environment consists of external factors that affect a business's decision-making and performance.
The Economic Environment specifically refers to the nature and direction of the economy in which a firm operates.
It includes factors such as inflation rates, interest rates, exchange rates, and the disposable income of consumers.
Step 2: Detailed Explanation:
In the given case study, two major economic factors are mentioned:
1. **Rising Inflation:** This has increased the cost of raw materials like organic products and coffee beans, directly impacting the profit margins and operational costs.
2. **Increased Interest Rates:** The Reserve Bank of India (RBI) raising interest rates makes borrowing funds for expansion more expensive.
Since these factors involve monetary policy, cost of capital, and price levels, they fall strictly under the "Economic Environment" category.
Technological environment would involve innovation or new machinery; Social environment would involve trends or demographics; Political environment would involve government stability or specific legislation.
Step 3: Final Answer:
Therefore, the macro-environmental element affecting Rudra Cafe is the Economic Environment.

> Quick Tip
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> Whenever a question mentions "Interest Rates," "Inflation," "GDP," or "RBI Policies," the answer is almost always the Economic Environment.

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2. The first stage in the 'Enterprise Process Diagram' is in—
(A) Identifying a product or service
(B) Opportunity spotting by analysing the needs and problems that exist in the environment
(C) Evaluating the ideas received from different sources to find a creative solution
(D) Setting up a project and nurturing it to success

Correct Answer: (B) Opportunity spotting by analysing the needs and problems that exist in the environment

Solution:
Step 1: Understanding the Concept:
The Enterprise Process Diagram maps the journey of an entrepreneur from the initial spark of an idea to the actual establishment and success of an enterprise.
It represents the sequential steps taken to transform a market gap into a viable business.
Step 2: Detailed Explanation:
The process typically follows these stages:
1. **Opportunity Spotting:** Identifying gaps, needs, or problems in the current market environment.
2. **Idea Evaluation:** Critically assessing various ideas to see which one solves the identified problem most effectively.

3. **Product Identification:** Finalizing the specific product or service that will be offered.
4. **Project Setup:** Taking steps like securing finance, resources, and legal permits to launch the business.

Hence, the very first step is sensing the environment to find a problem that needs solving.
Step 3: Final Answer:
The first stage is "Opportunity spotting by analysing the needs and problems that exist in the environment".

> Quick Tip
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> Think of the process as: Observe (Spot) → Think (Evaluate) → Create (Identify) → Execute (Setup).

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3. 'Price skimming' is used:
(A) for a limited duration to recover most of the investment made to build the product
(B) to attract new customers and increase market share or sales volume
(C) for products and services where dickering over the price of goods is considered the norm
(D) to cover the cost of producing a product plus a reasonable profit

Correct Answer: (A) for a limited duration to recover most of the investment made to build the product

Solution:
Step 1: Understanding the Concept:
Price skimming is a pricing strategy where a firm sets a high initial price for a new and innovative product.
As time passes and competitors enter or the market becomes saturated, the firm progressively lowers the price.
Step 2: Detailed Explanation:
The objective of price skimming is to "skim" the cream of the market—those customers willing to pay a premium for being early adopters.
This strategy is used for a limited duration immediately after launch.
It allows the company to recover high research and development (R&D) and marketing investments quickly before competition drives prices down.
Option (B) refers to Penetration Pricing.
Option (C) refers to Variable Pricing or Bargaining.
Option (D) refers to Cost-plus Pricing.
Step 3: Final Answer:
Price skimming is used for a limited duration to recover investment costs quickly.

> Quick Tip
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> Skimming = High Initial Price (Think of skimming the top layer).
> Penetration = Low Initial Price (Think of entering/penetrating the market deeply).

4. While calculating the Economic Order Quantity, it is necessary that a company should know how much the 'Inventory Carrying Cost' is and what does it include. From the following, identify the item which is not included in 'Inventory Carrying Cost':
(A) Interest
(B) Paperwork for placing order
(C) Space cost
(D) Insurance

Correct Answer: (B) Paperwork for placing order

Solution:
Step 1: Understanding the Concept:
In inventory management (EOQ), costs are categorized into two main types:
1. **Ordering Costs:** Costs incurred every time an order is placed (e.g., transportation, paperwork, inspection).
2. **Carrying Costs:** Costs associated with holding or storing inventory over a period (e.g., storage rent, insurance, interest on capital tied up).
Step 2: Detailed Explanation:
Let's evaluate the options:
- **Interest (A):** This represents the opportunity cost of the capital locked in inventory. It is a carrying cost.
- **Space cost (C):** Rent for warehouse or storage facilities is a cost of holding stock. It is a carrying cost.
- **Insurance (D):** Protecting inventory against theft or fire is part of holding the stock. It is a carrying cost.
- **Paperwork for placing order (B):** This cost is incurred specifically when a transaction for a new purchase is initiated. This is a classic example of an **Ordering Cost**.
Step 3: Final Answer:
Paperwork for placing an order is not included in Inventory Carrying Cost; it is an Ordering Cost.

Quick Tip

Carrying costs are "holding" costs (Stay).
Ordering costs are "transaction" costs (Get).
If the cost is incurred just to **keep** the item, it's a carrying cost.

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5. Aditya Verma, the founder of a 'Fintech' startup, wanted to raise funds for expanding his digital lending platform. Instead of approaching the general public, he decided to directly sell securities of his company to a limited number of sophisticated investors including Life Insurance Corporation of India, General Insurance Corporation of India, and Army Group Insurance. The method of raising capital used by Aditya Verma was:

(A) Public issue
(B) Rights issue
(C) Private placement
(D) Offer to the employees

Correct Answer: (C) Private placement

Solution:
Step 1: Understanding the Concept:
There are various methods for a company to raise capital from the primary market.
Private Placement involves the direct sale of securities by a company to a select group of investors rather than the general public.
Step 2: Detailed Explanation:
In this scenario:
- Aditya did **not** approach the "general public," which rules out a Public Issue (A).
- He sold to a "limited number of sophisticated investors" like LIC and GIC.
- This process allows companies to raise funds faster and with fewer regulatory formalities than a public IPO.
- **Rights Issue (B)** involves selling shares to existing shareholders.
- **Offer to employees (D)** refers to ESOPs.
The description provided matches exactly with the definition of Private Placement.
Step 3: Final Answer:
The method used by Aditya Verma is Private Placement.

Quick Tip

Key phrase for Private Placement: "Limited number of sophisticated/institutional investors" and "Direct sale (not to public)".
