

Instructions

- Question paper is divided into two Sections ie. **Section A** and **Section B**.
- **Section A** contains 25 Multiple Choice Questions for which only one option is correct.
- **Section B** contains 3 Comprehension type Questions which have 3, 3 and 5 questions respectively. All questions are Multiple Choice Questions for which only one option is correct.
- All questions are mandatory.

Section A

1)

A startup has fixed costs of \$200,000 and variable costs per unit of \$40. The selling price per unit is \$100. If the startup aims to achieve a profit of \$400,000, how many units must be sold?

- a) 5,000 units
- b) 7,000 units
- c) 8,000 units
- d) 10,000 units

Answer- d

Solution:

Profit = (Selling Price - Variable Costs) * Quantity - Fixed Costs

Quantity=(Profit + Fixed Cost) / (Selling Price - Variable Costs)

$$= 600,000 / 60 = 10,000$$

2)

An investor initially invests \$100,000 in a startup. After five years, the investor receives \$200,000 in return. What is the annual compound growth rate of the investment (rounded to the nearest whole percentage)?

- a) 10%
- b) 15%
- c) 20%
- d) 25%

Answer- b

Solution:

Compound Interest Calculator

Calculate:

Using the formula $A = P(1 + r/n)^{nt}$

Principal (P): \$

Annual Rate (R): %

Compound (n):

Time (t in years):
ex. 1.5 yr = 18 mo

Answer: $A = \$201,135.72$

approximately equal to \$200,000.

3) Which problem-solving approach involves empathizing with users, defining the problem, generating ideas, prototyping, and testing?

a) SWOT(Strengths, Weaknesses, Opportunities, and Threats) analysis

b) Design thinking

c) Six Sigma

d) Root cause analysis

Answer-b)

Solution:

Design thinking is a unique method of problem-solving that focuses on user needs first. Those who use design thinking do not need to be designers. It emphasizes observing people and their environments with empathy and using those observations to develop innovative ideas with an iterative, build-and-test approach

4) Which of the following is NOT a type of investor?

a)Angel investor

b)Venture capitalist

c)Crowdfunding

d)Government grant

Answer- d)Government grant

Solution: Trivial

5) Which of the following is a formula used for calculating break-even points?

1. Fixed costs / (Unit price + Variable cost)
2. Unit price * Quantity sold = Total sales

3. Total costs = Total revenue

4. all of the above

Answer- (3)Total costs = Total revenue

Third formula implies no profit, no loss (which is basic meaning of Breakeven point)

6)

Which of the following is NOT a formal role in a business?

1. Founder

2. CEO (Chief Executive Officer)

3. CFO (Chief Financial Officer)

4. COO (Chief Operating Officer)

Answer- (1)

Solution: The founder is not a formal role in a business because it typically refers to the person or group of people who established the business initially, rather than a specific position within the organizational structure.

7)

Different types of startup teams, namely large, medium, and small, are involved in bringing resources. It is known that 4 large teams can accomplish the same work as 7 small teams. Additionally, 3 medium teams can achieve the same output as 2 large teams and 1 small team. A total of 15 large teams, 7 medium teams, and 14 small teams undertake 36 projects, each resulting in the transportation of a certain quantity of resources.

Now, the question is: How many projects would it take for 12 large teams, 14 medium teams, and 21 small teams to transport the same quantity of resources?

a) 49 projects

b) 32 projects

c) 29 projects

d) None of these

Answer- c)29 projects

Solution:

$$4L = 7S = 28 \text{ units}$$

$$3M = 2L + S$$

$$\text{Thus } L = 7 \text{ units, } S = 4 \text{ units, } M = 6 \text{ units}$$

$$36(15L + 7M + 14S) = 36(105 + 42 + 56) = 203 \cdot 36 = x \cdot (12L + 14M + 21S) = x \cdot (84 + 84 + 84) = x \cdot 3 \cdot 84 = 36 \cdot 203$$

Solving it gives $x = 29$

8) Roopa, a budding entrepreneur, sets off with x flowers on a journey to a startup hub located near a riverbank. Along the river, there are four symbolic stations representing different stages of the startup journey. Roopa dips all the x flowers into the river, doubling their number. At the first station, she makes an offering of y flowers before doubling the remaining ones again. This process continues at the second, third, and fourth stations until Roopa is left with no flowers.

What is the minimum number of flowers Roopa could have offered at each station to complete her startup pilgrimage?

- a) 7 flowers
- b) 8 flowers
- c) 16 flowers
- d) 15 flowers

Answer- c)16 flowers

Solution:

9) In a startup hub, twenty individuals work together to bring their entrepreneurial ideas to life. The first group of five works from 8.00 A.M. to 2.00 P.M. The second group of ten operates between 10.00 A.M. and 4.00 P.M. The third group of five collaborates from 12 noon to 6.00 P.M. With three available computers, when are they likely to be used the most?

- a) 10 am - 12 noon
- b) 12 noon - 4 pm
- c) 1 pm - 3 pm
- d) 12 noon - 2 pm

Answer- d) 12 noon - 2 pm

Solution:

Correct option is B)

The first group works between 8 am to 2 pm.

The second group works between 10 am to 4 pm
and the third group works between 12 pm to 6 pm.

As all the employees are in the office between 12:00 pm to 2:00 pm, the computers are used the most at this time.

10) Jack, a budding entrepreneur competing in the Youth Entrepreneurship Challenge (YEC), tore out a series of pages from a valuable startup handbook. The first page he tore out had the number 183, and amazingly, the last page had the same digits rearranged. How many pages did Jack tear out?

- a) 381 pages
- b) 136 pages
- c) 831 pages
- d) 198 pages

Answer- b) 136 pages

Solution.

The key insight here is that the parity of the number of the last page torn out is opposite that of the first page. This is not hard to see if we watch what happens if Jack tears out 1 page, then 2 pages, then another small number of pages. Of the three-digit numbers with digits 1, 3, and 8, only 318 is greater than 183 and has parity opposite that of 318. Now, $318 - 183 + 1 = 136$, which is the answer.

11) In the world of startups, a determined founder is striving to reach the top. Each step forward represents progress through successful strategies, while setbacks force them to take two steps back. If the founder aims to climb a total of 30 steps, how many cycles of progress and setbacks will they need to endure to achieve their goal?

- a) 30 cycles
- b) 29 cycles
- c) 28 cycles
- d) 27 cycles

Answer- c) 28 cycles

Solution-

In the first 27 cycles it will climb 3 steps and will come 2 steps down and will be standing at 27th step after these 27 cycles. And after the 28th cycle it will reach 30th step and won't get a chance to step down.

12) You have come up with an amazing idea for a product that has the potential to eventually disrupt the market. What should be your next move to convert your idea into a business?

- a) Immediately start developing the product and launch it in the market
- b) Secure funding from angel investors and venture capitalists to support the development and marketing of the product.
- c) Seek feedback from potential customers and conduct market research.
- d) Establishment of your brand and start marketing the product.

Answer- c) Seek feedback from potential customers and conduct market research.

Establishing a new business always starts with conducting a thorough market analysis and business study. Hence customer feedback is important.

13) In a highly competitive market, retaining customers is crucial for the long-term success of a business. Imagine you have an electronics company that develops its own smartphones. What is/are the strategy you will choose in order to battle the competitive market.

- a) Offering personalized customer experiences and excellent customer service, i.e. providing exceptional customer experiences.
- b) Lower product prices to undercut competitors. Customers might switch to other brands catering to the price point.
- c) Ignoring customer feedback and focusing solely on product development.
- d) Implementing aggressive marketing tactics to attract new customers.

Answer- a) **Offering personalized customer experiences and excellent customer service, i.e. providing exceptional customer experiences.**

Explanation-

Customer experience is the key point in retaining customers and it is what that will attract new customer base

14) Suppose you have a solid business idea in your mind related to food industry and you want to move ahead with that but you have a vague thought in your mind that starting this business would compel you to stand against well established companies like Haldiram and Nestle. What steps you will take to bring people to your company instead of going to them?

- 1) Develop some USP (Unique Selling Point) in your model.
- 2) Give starting fish baits like discounts and incentives.
- 3) Hire some people to destroy the image of these well known brands on social media.
- 4) Market your product using Celebrities advertisements.

Choose the option which contain only correct option:-

- a) 1,2,3
- b) 1,2,4
- c) 1,4
- d) 1,2

Answer-b) 1,2,4

Destroying a rival company's image is unethical and can also lead to damaging the image of your company in worst circumstances

15) Ola, a successful ride-hailing startup, has made a foray into the electric vehicle (EV) segment. Select the most suitable option which depicts the key challenge that Ola encounters as it ventures into this new market?

- A) Educating and incentivizing drivers and customers to adopt electric vehicles
- B) Overcoming infrastructure limitations and establishing a robust EV charging network
- C) Navigating regulatory frameworks and government policies regarding EV adoption and incentives
- D) Collaborating with automotive manufacturers to develop affordable and efficient electric vehicles

Answer- B) Overcoming infrastructure limitations and establishing a robust EV charging network

Major challenge for EV companies in India is establishing appropriate infrastructure for charging and providing services

16) Q. Despite the dominance of Amazon and Flipkart in the Indian e-commerce market, how did Myntra manage to survive and carve its own niche?

- A) By offering exclusive designer brands and collaborations

- B) By providing a seamless and personalized shopping experience
- C) By implementing aggressive pricing strategies and discounts
- D) By focusing on niche clothes categories and specialized segments

Choose the option which contain only correct option:-

- a)1,2,3
- b)1,3,4
- c)1,4
- d)1,2,3,4

Answer- d)1,2,3,4

All of the given points are the steps that myntra took to overcome its competitors and outstand in the market

17)

Arrange the following steps in sequence for beginning a startup.

- 1: Create a startup Roadmap
- 2: Build your founding team
- 3: Assess your Entrepreneurial skills
- 4: Launch and scale
- 5: Get Startup funding
- 6: Develop your Startup idea
- 7: Establish your Brand

- a) 6,3,2,7,1,5,4
- b) 3,6,1,4,7,5,2
- c) 3,6,1,2,5,7,4
- d) 1,6,2,4,5,7,3

Answer- c) 3,6,1,2,5,7,4

18)

Suppose you are in a situation where you are standing in front of an investor and asking him to invest in your startup idea. Say, you are asking for 5 lakh rupees in exchange of 10% equity in your company which you are working on from last 4 years and that startup is your brain child BUT the investor gains huge interest in your business and asks you for a deal where he would give you 20 lakh rupees in exchange of 80% of your company and the deal is not negotiable. What would you do?

- a) Accept the offer and give him 80% Sectionnership.
- b) Reject it straight away.
- c) Ask him to give you some time to think.
- d)None of the above

Answer-b) Reject it straight away.

19)

Which of the following factors do you think has the greatest impact on the success of a startup?

- a) Market demand and customer needs
- b) Access to funding and resources
- c) Execution and operational efficiency
- d) Competitive landscape and industry trends

Answer- a) Market demand and customer needs

Solution-

A startup can succeed without funding, perfect efficiency and with high competition. But can never succeed without market demand and customer needs.

20)

When faced with a major setback or failure in their business, what do you believe is the most effective response for an entrepreneur?

- a) Perseverance and continue on the previous business model.

- b) Pivoting the business model and strategy
- c) Seeking mentorship and guidance
- d) Accepting the failure and moving on to a new venture

Choose the option which contain only correct option:-

- a)b,c,d
- b)a,c,d
- c)b,c
- d)a,d

Answer- c)b,c

Solution-

Incase of a major setback, one should pivot and seek for mentorship.

21)

Assertion: Bootstrapping is the only option for startups in the early stages.

Reason: Bootstrapping allows entrepreneurs to maintain control and make independent decisions, but external funding provides the necessary resources for scaling operations and capturing larger market opportunities.

Choose the correct option:

- a) Both the assertion and reasoning are true, and the reasoning is the correct explanation of the assertion.
- b) Both the assertion and reasoning are true, but the reasoning is not the correct explanation of the assertion.
- c) The assertion is true, but the reasoning is false.
- d) The assertion is false, but the reasoning is true.

Answer- d) The assertion is false, but the reasoning is true.

Solution:

Bootstrapping is a term used in business to refer to the process of using only existing resources, such as personal savings, personal computing equipment, and garage space, to start and grow a company. However there are other alternatives too.

22)

Assertion: Market research is essential for the success of a startup.

Reason: Market research helps startups understand only ideal needs of their target audience.

Choose the correct option:

- a) Both the assertion and reasoning are true, and the reasoning is the correct explanation of the assertion.
- b) Both the assertion and reasoning are true, but the reasoning is not the correct explanation of the assertion.
- c) The assertion is true, but the reasoning is false.
- d) The assertion is false, but the reasoning is true.

Answer- b) Both the assertion and reasoning are true, but the reasoning is not the correct explanation of the assertion.

Explanation-

Market research is essential for startup success, as it provides valuable insights into the target audience, market trends, and competition. However, it goes beyond ideal needs and includes understanding customer preferences and behavior for informed decision-making.

23)

Assertion: Developing a minimum viable product (MVP) is crucial for startup success.

Reason: Developing an MVP allows startups to minimize their initial investment by focusing on building a basic version of their product

- a) Both the assertion and reasoning are true, and the reasoning is the correct explanation of the assertion.
- b) Both the assertion and reasoning are true, but the reasoning is not the correct explanation of the assertion.
- c) The assertion is true, but the reasoning is false.
- d) The assertion is false, but the reasoning is true.

Answer- c) The assertion is true, but the reasoning is false.

Solution:

The Benefits of a Minimum Viable Product

- 1) **Winning Stakeholder/Investor Buy-In.**
- 2) **Testing Business Concepts.**
- 3) **Verifying Market Demand.**
- 4) **Developing a Monetization Strategy.**
- 5) **Testing UX and Usability.**
- 6) **Cost-Efficiency.**

24)

Assertion: A strong business plan is essential for the success of a start-up.

Reason: A business plan helps anticipate future challenges and enables the formulation of strategies to address them effectively. It provides insights into the potential problems a business may encounter and facilitates the development of proactive approaches to mitigate risks and overcome obstacles.

Choose the correct option:

- a) Both the assertion and reasoning are true, and the reasoning is the correct explanation of the assertion.
- b) Both the assertion and reasoning are true, but the reasoning is not the correct explanation of the assertion.
- c) The assertion is true, but the reasoning is false.
- d) The assertion is false, but the reasoning is true.

Answer- a) Both the assertion and reasoning are true, and the reasoning is the correct explanation of the assertion.

Solution: Although a business plan takes time and money to create, it can help save both in the future if done properly. Below we take a look at some of the key advantages of creating a business plan:

- 1. It helps you forecast future steps
- 2. It is required if you want to apply for credit

3. It helps you to identify future cash flow issues
4. It helps you to allocate resources
5. It helps you better understand your competition
6. It can help to secure talent

25)

Assertion: A strong network of contacts and relations is important for the development and success of a start-up.

Reason: Establishing a network of contacts provides entrepreneurs with many opportunities and support that can help in the success of the start-up.

Choose the correct option:

- a) Both the assertion and reasoning are true, and the reasoning is the correct explanation of the assertion.
- b) Both the assertion and reasoning are true, but the reasoning is not the correct explanation of the assertion.
- c) The assertion is true, but the reasoning is false.
- d) The assertion is false, but the reasoning is true.

Answer- a) Both the assertion and reasoning are true, and the reasoning is the correct explanation of the assertion.

Solution:

Networking gets you involved in your community and your industry, which raises your profile and attracts attention to your startup. People like to do business with people they know, and by getting known via networking, you make it more likely that people want to do business with you

Section B

[B1]

Harry Potter: Professor Dumbledore, have you heard about the exciting startup VoltDrive? They're in the magical electric vehicle industry and they're looking for investment opportunities.

Dumbledore: Ah, VoltDrive, you say? Pray, enlighten me, Harry. What is their business idea, and how are they performing financially?

Harry Potter: Well, VoltDrive is seeking an initial investment of \$10 million to scale their operations and reach profitability. The projected exit valuation after 5 years is estimated to be a whopping \$500 million. However, they anticipate two subsequent funding rounds led by GryffinVentures and Phoenix Capital, with each round potentially diluting the investor's equity stake by 20%.

Dumbledore: Ah, the potential dilution of equity can have a significant impact on the investor's returns. It is crucial to consider this when evaluating the investment opportunity. Let us examine

the potential return on investment for the investor if they were to invest \$10 million in VoltDrive, accounting for the dilution.

Harry Potter: Exactly, Professor Dumbledore. By factoring in the dilution, we can calculate the investor's final ownership stake after each funding round and adjust the net profit calculation accordingly. Let's analyze the numbers and determine the investor's ROI.

Dumbledore: A prudent approach, Harry. Let us calculate the ROI while considering the dilution in subsequent funding rounds and assess the potential returns for the investor.

Question 1: Help Harry Potter and Dumbledore find the investor's ROI if they invest \$10 million in VoltDrive.

[Hint: Adjust the net profit calculation for each funding round by factoring in the reduction in ownership due to dilution. Calculate the investor's final ownership stake after each subsequent round.]

- a) 1336%
- b) 3916%
- c) 3136%
- d) 1536%

Answer- **c) 3136%**

Solution

Initial investment: \$10 million

Projected exit valuation: \$500 million

Potential dilution per funding round: 20%

Net profit = Projected exit valuation - Initial investment

Net profit = \$500 million - \$10 million

Net profit = \$490 million

Now, let's calculate the investor's ownership stake after each subsequent funding round:

First Funding Round (led by RoundTable Ventures):

Ownership stake after the first round = $(1 - 0.20) * 100\%$

Ownership stake after the first round = 80%

Second Funding Round (led by Accelerate Capital):

Ownership stake after the second round = $(1 - 0.20) * 80\%$

Ownership stake after the second round = 64%

Finally, calculate the adjusted net profit based on the final ownership stake:

Adjusted net profit = Net profit * Final ownership stake

Adjusted net profit = \$490 million * 64%

Adjusted net profit = \$313.6 million

ROI = $(\text{Adjusted net profit} / \text{Initial investment}) * 100\%$

ROI = $(\$313.6 \text{ million} / \$10 \text{ million}) * 100\%$

ROI \approx 3136%

Question 2: Continuing from the previous scenario, the investor is still evaluating VoltDrive's financials and the impact of the cash burn rate on the company's cash reserves. The investor determines that VoltDrive has a monthly cash burn rate of \$500,000. If VoltDrive has an initial cash reserve of \$5 million and experiences a 10% reduction in the cash burn rate every 6 months, let the number of months it will take for VoltDrive to exhaust its available cash resources be N. And N satisfies $(A/B)^N = C/D$, where A and B are coprime, as are C and D. Find the value of $(2A*B/C*D)$.

- a) 5

b) 6

c) 7

d) 8

Answer- **b) 6**

Solution:

$$5000000 = 500000 * 6 + 500000 * 6 * 0.9 + 500000 * 6 * 0.81 + \dots\dots\dots$$

$$5000000 = 6 * 500000 (1 + 0.9 + 0.81 + \dots\dots\dots)$$

$$\frac{10}{6} = \frac{1 - (0.9)^n}{0.1}$$

$$\frac{2 * A * B}{C * D} = \frac{2 * 9 * 10}{5 * 6} = 6 \quad \textbf{Answer}$$

Question 3: Assume the returns from the investment were \$200,000. Since Dumbledore is more ambitious, he wants to reinvest his money in another startup, Hogwarts Technologies, but this time in the form of debt. The terms and conditions for the debt will be as follows:

The debt has to be returned after 4 years with an interest rate of 10% per annum compounded annually.

In addition to the above, Hogwarts Technologies has to share 20% of the profit from their total sales until they have sold items worth \$800,000.

(Hogwarts Technologies sells magical wands, each worth \$20, and the oak wood used to make one such wand costs \$10).

How much total profit does he get from this investment?

a) 178,220

b) 172,280

c) 176,220

d) 172,820

Answer- **d) 172,820**

Solution:

For debt:

$$\text{Total profit} = \$ 400000$$

$$20\% \text{ of profit} = 20/100 * 400000 = 80000$$

$$\text{Total money returned after compounding} = \$ 292820$$

$$\text{Profit from debt} = \$ 92820$$

$$\begin{aligned} \text{Total profit} &= \$92820 + \$80000 \\ &= \$172820 \quad \textbf{Answer} \end{aligned}$$

The host of Fish Prank India begins the show with a brief introduction about Company A and Company B, which have been growing for the past 5 years.

Host: So here we call upon A to pitch his startup in front of our investors.

A: Hello, fishes! Our company A works on developing AI to make daily life tasks easier and more convenient to use. The annual rate of return for the initial two years has been 62%. In addition, our business incurs a 30% operating cost. However, due to some false news in the market, our market value dropped to 40% in the third year, resulting in no profit and no expenditure. However, the situation improved, and our business returned to normal with an annual rate of return for the next two years being 62% with a 30% operating cost.

Investor: Your company is pretty impressive as it uses the latest AI technology to ease life. I would look forward to investing in your company.

Host: Now we call upon B to pitch his idea on Electric Vehicles.

B: Hi, fishes! Here we are with our all-new cutting-edge electric vehicle technology with app synchronization of vehicle systems and a lot more to offer. It generates an annual profit of 42%, Our company also incurs a 30% operating expense.

Investor: The technology definitely interests me, and I will look forward to investing in your startup.

He tries to evaluate Return On Investments (ROI) for both companies. Help him guess which company generates more ROI.

Q1) Which of the following may be a potential problem prevalent even when a company has incurred huge profits, especially for domains in which Company B deals?

- a) Lack of capital
- b) Apprehension to maintain a steady supply chain
- c) Lack of customers
- d) None of these

Answer-b) Apprehension to maintain a steady supply chain

Solution:

EV start-ups often face difficulties in securing a reliable and cost-effective supply of key components such as batteries, electric motors, and power electronics. This can be attributed to the limited number of suppliers and the high demand for these components in the growing EV market. Any disruptions in the supply chain, such as delays or shortages, can have a significant impact on production and delivery schedules

Q2) India's carbon footprint was about 2 billion tonnes in 2021. In accordance with international institutions, we have set a target to reduce our footprint to 1 billion tonnes by 2030. Imagine yourself as a governmental official. What steps can you take to increase the number of Indian start-ups in this field?

- a) Decrease customs duty on finished EV products.
- b) Increase subsidies on various raw materials for the field.
- c) Encourage healthy international competition.
- d) None of these

Answer-b) Increase subsidies on various raw materials for the field.

Solution: Subsidies provide financial support to startups, allowing them to overcome initial financial barriers and invest in their growth and development (1). This can help startups cover operating costs, purchase necessary equipment, and hire talented employees

Q3) Follow the expenditure percentage and profit percent from the conversation given and report which company you will invest in to get maximum profit.

- a) Company A
- b) Company B
- c) Both A and B are equally good
- d) Data insufficient

Answer-a) **Company A**

Solution:

	Year1	2	3	4	5	6
A	100	132	174.24	104.544	137.9981	182.1575
B	100	112	125.44	140.4928	157.3519	176.2342

[B3]

A tech startup is considering two different pricing strategies for their new software product. They estimate that the fixed costs for developing and marketing the software are \$100,000. The variable costs per unit are \$20, and they plan to sell the software for a price of \$100 per unit in the high-price strategy and \$50 per unit in the low-price strategy. The market research indicates that the demand function for the software is given by $Q = 500 - 2P$, where Q represents the quantity demanded, and P represents the price.

Note: Assume that all units produced are sold, and there are no other costs involved apart from the fixed and variable costs mentioned.

Based on this information, answer the following questions:

Q1) What is the breakeven point in units for the first pricing strategy if the startup decides to use the high-price strategy?

- a) 1200 units
- b) 1250 units
- c) 1300 units
- d) 1350 units

Ans: b) 1250 units

Solution:

SP= 100

Variable cost= 20

Fixed cost= 100000

$100*Q = 100000 + 20*Q$

$Q=1250$ UNITS **ANSWER**

Q2) What is the breakeven point in units for the second pricing strategy if the startup decides to use the low-price strategy?

- a) 3331 units
- b) 3332 units
- c) 3334 units
- d) 3335 units

Answer- **c) 3334 units**

SOLUTION:

$$50 * Q = 100000 + 20 * Q$$
$$Q = 3333.33$$

Q=3333 UNITS **ANSWER**

Q3) Which pricing strategy would result in higher total revenue at the breakeven point?

- a) High-price strategy
- b) Low-price strategy
- c) Both strategies would result in the same total revenue at the breakeven point
- d) Insufficient information to determine

Ans: **b) Low-price strategy**

SOLUTION:

$$\text{High price strategy} = 100 * 1250 = 125,000$$

$$\text{Low price strategy} = 50 * 3333 = 166,650$$

Q4) If the startup decides to pursue the high-price strategy, what would be their total profit if they sell 1,000 units?

- a) +\$50,000
- b) -\$50,000
- c) +\$20,000
- d) -\$20,000

Answer- **d) -\$20,000**

SOLUTION:

$$\text{Total revenue} = 100 * 1000 = 100,000$$

$$\text{Total cost} = 100,000 + (20 * 1000)$$
$$= 120,000$$

$$\text{Loss} = 20,000 \text{ **Answer**}$$

Q5) If the startup decides to pursue the low-price strategy, what would be their total profit if they sell 1,500 units?

- a) +\$55,000
- b) -\$55,000

- c) +\$60,000
- d) -\$60,000

Answer-b) **-\$55,000**

SOLUTION:

$$\begin{aligned}\text{Total cost} &= 100,000 + 20 * 1500 \\ &= 100,000 + 30,000 \\ &= 1,30,000\end{aligned}$$

$$\text{Total revenue} = 50 * 1500 = 75,000$$

$$\text{Loss} = 55,000 \text{ **Answer**}$$