

**MARKING SCHEME (2023-2024)**  
**ENTREPRENEURSHIP**  
**CLASS XII**

**Time: 3Hrs**

**Max Marks: 60**

**General instructions:**

- The Question Paper is divided into 4 parts. There is no overall choice, though the internal choice is given in selected sections.
- Section A has 15 objective questions carrying 1 mark each.
- Section B has 6 questions carrying 2 marks each. Answers may be within 50 to 75 words.
- Section C has 6 questions carrying 3 marks each. Answers may be about 100 words.
- Section D has 3 questions carrying 5 marks each. Answers may be about 150 words.

	<b><u>Section-A</u></b>	
	Fill in the blank:	
Q1.	<p><b>Central Level financing institutions for supporting entrepreneurs are:</b>            A) SIDBI            B) IFCI            C) NABARD            D) All of the above.</p> <p>Ans. D) All of the above.</p>	1
Q2.	<p><b>The entrepreneur acts as:</b>            A) A Worker            B) An Owner            C) A Worker as well as an Owner.            D) A Middleman</p> <p>Ans. C) A Worker as well as an Owner.</p>	1
Q3.	<p><b>SWOT refers to:</b>            A) Strength, Weaknesses, Opportunities, Threats            B) Selling wonderful offers to customers            C) Sure, Working of Business            D) None of the above</p> <p>Ans: A) Strength, Weaknesses, Opportunities, Threats</p>	1
Q4.	<p><b>Budget Statement is related to:</b>            A) Marketing Plan            B) Financial Plan            C) Production Plan            D) Human Resource Plan</p>	1

	Ans: B ) Financial Plan	
Q5.	<p><b>Workload refers to:</b></p> <p>A) Total number of existing staff  B) Total number of staff required in future  C) Total number of job positions  D) None of the above</p> <p>Ans: C) Total number of job positions</p>	1
Q6.	<p><b>The apex body that controls the capital markets of our country is:</b></p> <p>A) RBI  B) SBI  C) SEBI  D) None of the above</p> <p>Ans: C) SEBI</p>	
Q7.	<p>Longer the operating cycle..... is the requirement of working capital.</p> <p>Ans: More</p>	1
Q8.	<p>Service provider needs ..... working capital as compared to the manufacturer.</p> <p>Ans: Less</p>	1
Q9.	<p>To promote and develop activities in the stock exchange, SEBI performs..... functions.</p> <p>Ans: Development</p>	1
Q10.	<p>Define Break Even Point.</p> <p>Ans: The break-even point is the point at which total cost and total revenue are equal, meaning there is no loss or gain for the business.</p>	1
Q11.	<p>What is EOQ?</p> <p>Ans: EOQ represents the quantity of an item that is most economical to order when fresh supplies are required. At this point, the ordering cost and carrying costs would be minimal.</p>	1

Q12.	<p>Define ROE.</p> <p>Ans: This ratio measures the profitability of the company from the point of view of equity shareholders.</p>	1
Q13.	<p>Assertion (A): Customers are part of the microenvironment.</p> <p>Reason(R): Microenvironment does not operate in isolation and is one of the levels of the business environment.</p> <p>a. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A)</p> <p>b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)</p> <p>c. Assertion (A) is true but Reason (R) is false.</p> <p>d. Assertion (A) is false but Reason (R) is true.</p> <p>Ans. b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)</p>	1
Q14.	<p>Assertion (A): In franchising there is usually a much higher likelihood of success when an individual opens a franchise as opposed to a mom-and-pop business.</p> <p>Reason (R): It runs on a proven business formula that is already in place.</p> <p>a. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A)</p> <p>b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)</p> <p>c. Assertion (A) is true but Reason (R) is false.</p> <p>d. Assertion (A) is false but Reason (R) is true.</p> <p>Ans. a. Both Assertion (A) and Reason (R) are true, and Reason (R) is the correct explanation of Assertion (A).</p>	1
Q15.	<p>Assertion (A): For a trading organization, the operating cycle will be shorter.</p> <p>Reasoning (R): There is no manufacturing in a trading organization.</p> <p>a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A)</p> <p>c. Assertion (A) is true but Reason (R) is false.</p> <p>d. Assertion (A) is false but Reason (R) is true.</p> <p>Ans: a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).</p>	1

<b>Section- B</b>		
Q16.	<p>Explain the concept of sustainable development.</p> <p style="text-align: center;">OR</p> <p>State the role of an angel investor in an entrepreneurial pursuit.</p>	2
	<p>Ans: Sustainable development is the idea that human societies must live and meet their needs without compromising the ability of future generations to meet their own needs.</p> <p style="text-align: center;">OR</p> <p>i. Angel investors bear the extremely high risk and are usually subject to dilution from future investment rounds.</p> <p>ii. Apart from investing funds, most angels provide proactive advice, guidance, industry connections, and mentoring start-ups in their early days.</p> <p>iii. Their objective is to create great companies by providing value creation and simultaneously helping investors realize a high return on investments.</p> <p>iv. They have a sharp inclination to keep abreast of current developments in a particular business arena, mentoring entrepreneurs by making use of their vast experience.</p> <p style="text-align: right;">(Any Two)</p>	1 Marks for each role defined
Q17.	Define Financial Plan.	2
Ans	<p>A financial plan is a critical section of a business plan as it translates all the other parts of the business into anticipated financial results. A financial plan helps to know whether the business plan is viable or not. This plan helps to know whether your business will attract investors or not. A financial plan consists of the analysis of financial statements such as the income statement, the cash flow projections, the projected balance sheet, and sources and uses of funds.</p>	2 Marks for definition
Q.18.	Who is a Vendor?	2
Ans.	<p>A vendor, also known as a supplier, is an individual or company that sells goods or services to someone else in the economic production chain.</p>	2 Marks for definition/Meaning

Q.19.	What is Re-ordering Level?	2
Ans.	<p>Reordering Level: It is the level of inventory at which purchase requisition should be issued, and purchase order should be made. The ordering level is fixed somewhere between the maximum and minimum levels. When this level is reached, the storekeeper will issue the purchase requisition.</p> <p>Reorder level = (Max. Consumption during the period) x (Max. Period required for delivery)</p>	<p>1 Marks for Meaning</p> <p>1 Marks For Formula</p>





Q.22.	<p>State three features of a Creative Person.</p> <p>OR</p> <p>Deepak, an entrepreneur, was short of capital. He was worried about the fact as to how he will reach out to his customers. He met his friend, who is at present working in a start-up firm. He explained to Deepak a way to reach customers without any middlemen which would help him overcome the shortage of cash. So, Deepak decided to keep his distribution channel simple as advised by his friend.</p> <ol style="list-style-type: none"><li>1. Identify the channel of distribution adopted by Deepak.</li><li>2. Explain the channel of distribution mentioned above.</li><li>3. Give any two of advantages of this type of channel.</li></ol>	3
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Ans.	<p>1. The channel of distribution mentioned above is Direct channel-zero level.</p> <p>2. This is the simplest and shortest channel in which no middlemen are involved, and producers directly sell their products to the consumers.</p> <p>3. This channel of distribution is fast and economical.</p>	1 mark for every point/Features
Q.23.	State three features of a good Business Plan.	3
Ans.	<p>A good business plan must:</p> <p>(a) Determine the direction of the company.</p> <p>(b) Highlight the challenges in the path of business.</p> <p>(c) Be directed towards achievement of goal or objectives.</p> <p>(d) Formulate strategies and contingencies to keep the business on track.</p>	1 mark each feature
Q.24.	Explain three tools of Public Relation.	3
Ans.	<p>Ways/Methods and tools of public relations:</p> <p>The companies can use the following tools to improve their relations with public:</p> <p>1. News: Sometimes companies get involved in such kind of activities or make such policies so that they get some positive coverage in news. For example, a company's name may be covered in news for reservation of jobs for women or for introducing new technology etc.</p> <p>2. Speeches: The speeches given by the leaders of corporate sector influence various members of public specially banks, shareholders etc. Public relations department creates occasion when the speeches are delivered by the leader of company.</p> <p>3. Events: Events refer to organizing press conferences, multimedia presentation, etc.</p> <p>4. Written materials: Sometimes written materials such as Balance Sheet, Annual Reports, Special documents, Brochures etc. are circulated to various parties to improve and maintain public image of the company.</p> <p>5. Public service activities: Big business houses often associate themselves with various social service projects such as women welfare programmes, charity shows, up-keeping of parks, planting trees on road side, training schools, running schools, colleges, hospitals etc.</p> <p style="text-align: right;">(Any Three)</p>	1 mark for each tool



Q.25.	<p>Why do Merger and Acquisition fail?  OR  Explain the first three steps involved in preparing the marketing plan.</p>	3
Ans.	<p>1. Overstated synergies: Mergers and acquisitions are carried on for synergies through increased revenue, reduced cost and reduction in networking capital and improvement in investment. Over estimation for these can lead to failure of mergers.  2. Integration difficulties: Companies very often go for mergers with integration strategy. However, if the information available on related issues is inadequate or inaccurate then integration becomes difficult.  3. Poor business fit: Mergers and acquisitions may fail when the products and business of acquired company may not fit in the business plan of acquiring company.  4. Inadequate due diligence: While acquiring any firm the acquiring company has to apply due diligence to find out the risk associated with the mergers but sometime this due diligence fails to estimate the risk associated with mergers.  5. High leverage: The Acquiring company may overburden itself with interest while arranging money for acquiring the company; this increased interest cost may consume the big portion of the earning and defeat the purpose of acquisition.  6. Boardroom split: Personality clashes between the directors and managers of both the companies may result in failure of mergers and acquisition.  7. Regulatory issues: If any stakeholder of company is not in favor of merger, he may create legal obstacles and slow down the whole process of merger and acquisition.  8. Human resources issues: Mergers and acquisitions may create uncertainty, anxiety and resentment among company's employees. Then, positive human resource intervention may be required for success of mergers and acquisition.</p> <p style="text-align: right;">(Any Three)</p> <p style="text-align: center;">OR</p> <p>Procedure for preparing the marketing plan involves following steps:  <b>1. Business Situation Analysis:</b> This helps in finding out "where we have been". Existing organizations review past performance and achievements of the enterprise but new venture needs to focus on:  (a) Personal profile of the entrepreneur.  (b) Emphasis on product development.  (c) What 'need' it satisfies.  (d) Any other enterprise/experience of the entrepreneur.  (e) Any other market segmentation, if planned.  <b>2. Identify the Target Market:</b> Target market refers to group of customers who will be our potential buyers. Divide the target customers into smaller groups as per consumer's characteristics and buying situations and then develops a marketing plan integrating product, price, place and promotion.  <b>3. Conduct SWOT Analysis:</b> The entrepreneur must consider in the target market his/her enterprise's:  (a) Strengths</p>	1 mark for each point/

	<p>(b) Weakness (c) Opportunities (d) Threats</p> <p><b>4. Establish Goals:</b> Goal is the aim of an enterprise. A firm must set SMART goals i.e., specific, measurable, Attainable, Relevant, and Time bound goals.</p> <p><b>5. Define Marketing Strategy:</b> The marketing strategies involve action plan and decisions related to four P's i.e. product, price, place and promotion.</p> <p><b>6. Implementation and Monitoring of the Plan:</b> It is important for an entrepreneur to be flexible and be prepared to make adjustments if necessary in the plan. (Explain first three points)</p>	
Q.26.	What is the difference between Gross Working Capital and Net Working Capital?	3
Ans.	<p>Gross working capital is the sum total of all the current assets of a company, whereas net working capital is the difference between the current assets and the current liabilities of a company.</p> <p>Gross working capital cannot be negative but net working capital can be negative.</p>	1.5marks for each difference
Q.27.	Define regulatory functions of SEBI.	3
Ans.	<p>Regulatory Functions: These functions are performed by SEBI to regulate the business in stock exchange. To regulate the activities of stock exchange following functions are performed:</p> <p>(1)SEBI has framed rules and regulations and a code of conduct to regulate the intermediaries such as merchant bankers, brokers, underwriters, etc.</p> <p>(2)These intermediaries have been brought under the regulatory purview and private placement has been made more restrictive.</p> <p>(3)SEBI registers and regulates the working of stock brokers, sub-brokers, share transfer agents, trustees, merchant bankers and all those who are associated with stock exchange in any manner.</p> <p>(4) SEBI registers and regulates the working of mutual funds etc.</p> <p>(5) SEBI regulates takeover of the companies.</p> <p>(6) SEBI conducts inquiries and audit of stock exchanges.</p> <p>(Any Three)</p>	0.5 mark each for six functions
Q.28.	<p>What is Marketing Mix and define its elements.</p> <p style="text-align: center;">OR</p> <p>What is pricing? And also explain any two methods of pricing.</p>	3
Ans.	<p><b>THE MARKETING MIX</b></p> <p><b>Meaning:</b> The marketing mix refers to the ingredients or the tools or the variables which the marketer mixes in order to interact with a particular market.</p> <p><b>Definitions of marketing mix:</b></p> <p>"Marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system, the product, the price structure, the promotional activities and the distribution system". -William J. Stanton</p> <p>Marketing mix are the set of marketing tools that firm uses to pursue its marketing objectives in the target market".-<b>Philip Kotler</b></p> <p>The marketing mix is the essence of any marketing endeavor. It is the main building</p>	1mark for each point

block of marketing efforts of a firm.

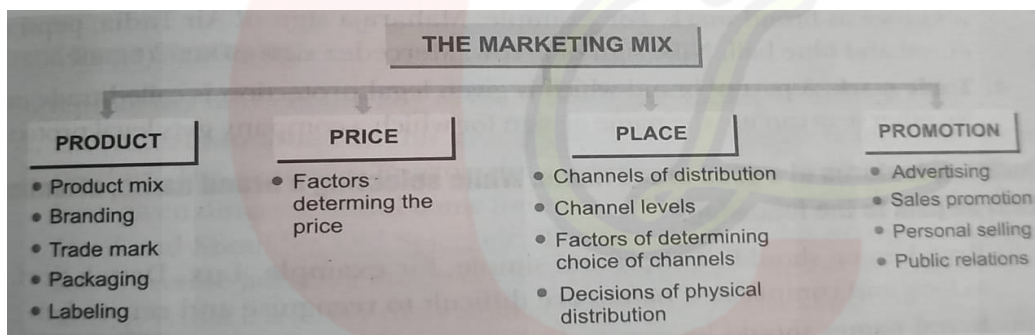
In the concept of marketing, on one side, there is customer and on the other side, there is producer or marketer. The firm looks for having transaction with the customer but to have a transaction the firm has to develop a product or service, design it, pack it, name it, price it, promote it and distribute it. All these decisions are the core of marketing mix. The elements of marketing mix can be classified into four categories and through fine mixing of these elements the superior value products or services are created for customers.

### **Elements of Marketing Mix**

The four main elements of marketing mix as classified by McCarthy are:

- A. Product
- B. Price
- C Place/Physical Distribution
- D. Promotion

These elements are more popularly known as four P's of the marketing.



OR

Pricing is the act of determining the value of a product or service. Pricing determines the cost paid by a customer, but it may or may not be tied to the cost paid by the business to produce the product or service.

### **Methods of Pricing**

**1. Cost Plus Pricing:** This is the most common technique of pricing where a manufacturer covers the cost and reasonable profit to fix the price. All types of costs are included i.e., material, labor and equipment cost. With the estimated cost of factors of production, the cost of total manufacturing process is assessed.

**Advantages of Cost-Plus Pricing:**

1. This method helps the enterprise to collect the total amount of expenditure and they can add profit margin accordingly. For example, If company has included expenditure of 5000 and they plan to earn profit margin of 10% then the price can be fixed at 5,500.
2. It is a simplest form of calculating the price for a product.
3. It helps the company to find reasons for increase in expenses and can take action to minimize the expenses.

**Disadvantages of Cost-Plus Pricing Method**

1. The biggest drawback of this method is that it does not take into account the future demand for a product.
2. It ignores the reaction of competitors.
3. Sometimes this method may result in over pricing as it includes sunk cost and ignores opportunity cost.

**2. Penetrating Pricing:** This strategy means using lower initial price to capture a large market. These forces the customers to buy the product and company can capture a very big share and leave very small share for competitors. Penetration pricing is attractive when following conditions are satisfied:

- (i) The price elasticity of demand is high and easy substitutes of that product are available.
- (ii) The firm can increase its production capacity with increase in demand.
- (iii) When customers are highly price sensitive which means customers easily shift to another brand if it is available at low price.
- (iv) When company has to face high competition while launching the product. The Reliance company followed penetration pricing strategy when it introduced mobile phone. It offered it at so low price that it captured big share of mobile phone market.

**Advantages of Penetration Pricing**

1. It can help in capturing a bigger share in the market.
2. It can create goodwill among the early adapters.
3. It discourages the entry of competitors.
4. It can create high stock turnover throughout the distribution channel.

**Disadvantages of Penetrating Price**

1. It makes it difficult to raise the prices later on.
2. Equality conscious customers go away from company.
3. Low profit margin affects the growth of the company.

Q.29.	What do you mean by Idea Field? Explain briefly any three Idea Fields. OR What is Creativity and explain its process.	5



<p>Ans.</p>	<p>The sources of spotting trends are termed as idea fields. By analyzing the idea fields, an entrepreneur can enlarge his scope of thinking. The common idea fields are:</p> <p><b>(a) Natural Resources:</b> The most common way of generating ideas is natural resources. For example, from the natural resources such as forest, one can get ideas regarding bio-products, wood-based products, fertilizers, etc. Similarly, from horticulture, we can get the ideas regarding food preservation, canning juices, squashes, jams, pickles etc.</p> <p><b>(b) Existing Products and Services:</b> Another field to generate new ideas can be improving the existing products and services. We can use the latest technology in existing products or make them cheaper by producing them with cost saving method etc., thinking about innovative ways of packaging etc. Many new ideas are generated every day from existing products. For example, converting black and white TV or monitor into color TV or color monitor, automatic watches with digital watches, carbon paper gave the idea of photocopier machine. Ideas can be to extend business by producing the raw materials or marketing of finished products. For example, a perfume manufacturing firm may plan to plant aromatic plants or manufacture oils which are used in manufacturing perfumes.</p> <p>It is necessary to change or improve existing products.</p> <p>(a) To keep up with competition (b) To increase sales</p> <p><b>(c) Market-driven or Demand-driven Ideas:</b> An important method for generating ideas is to carry out market research. While assessing the market, an entrepreneur has to prepare details on the following lines:</p> <p><b>(i) Demand:</b> Demand assessment will help to know the size of the market. to study the target group, the taste, fashion, trend and frequencies of the customers.</p> <p><b>(ii) Supply and nature of competition:</b> In this, the entrepreneur may try to find out the complete picture of quantity supplied by existing suppliers. All these suppliers act as competitors of entrepreneur. They must take into account, the excess supply and short supply of different products.</p> <p><b>(iii) Cost and price of products:</b> Cost and price of any product depends upon its cost. Cost variables such as transportation, storage, wastage, delays etc. must also be studied in detail. Keeping in mind the above details, firms can make various strategies to cover the gap between demand and supply.</p> <p><b>(d) Trading-related Ideas:</b> Trading refers to buying and selling of goods and services for profit. Compared to manufacturing business, it is easier to do trading as it involves lesser risk. Today, scope of trade has enlarged to local trade, import, export, e-commerce etc. The trader must be aware of trend in the market. The basic concept is satisfaction of customer, supply of the product conveniently whenever desired by the customer is must in today's competitive world. The traders must study in detail the needs and wants of customers to win over the competitors. The key to success in trading business is to supply right product at right time to right person at right price.</p>	<p>2 mark for meaning and 3 marks for steps/ .5 marks for each process step</p>
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OR

Creativity is the ability to develop new ideas and to discover new ways of looking at a problem and opportunities. It refers to "thinking new things" or "doing things differently."

The entrepreneur must try to get first mover advantage by trying new inventions and applying creativity in the organization.

**The Creative and Innovative Process:**

Brilliant ideas do not come out of blue, they evolve through a creative process, where in ideas are germinated, matured and developed by imaginative persons. The creative process involves six stages:

**Stage I. Idea Generation:** The creative ideas emerge from deep interest or curiosity about something. A person should have a burning desire to discover something. The seed of curiosity takes the form of a focused idea. If the perceived problem is motivation enough to capture the individual's attention, it leads to stage II.

**Stage II. Preparation:** It deals with search for solution, seeking information about the problem and finding how others' have solved it. At this stage, market research is often conducted for a new product or service. Generation of knowledge leads to stage III.

**Stage III. Incubation:** It is a state of creative thinking, using the information gathered with human fantasies and universal knowledge. This unusual thinking and knowledge lead to stage IV.

**Stage IV. Illumination:** Multiple ideas and solutions are generated at this stage. Various approaches to problem are evaluated and a feasible approach is selected. With idea generation, the creative person waits for opportunity to trigger the idea.

**Stage V. Verification:** In this stage, idea generated is verified as realistic and useful. This stage converts thinking and knowledge into application. In this stage, each potential solution is tested against the problem.

**Stage VI. Innovation:** In this stage, the assessment is done for the whole process. It may lead to achievement of desired result or no progress. In both the cases, an Individual returns back to stage I to start again. It involves translation of idea into Application which has commercial value.

Q.30.	<p>What is the difference between Business, Profession and Employment? OR Define the Joint Stock Company and Differentiate Public and Private Company.</p>	5																								
Ans	<table border="1"> <thead> <tr> <th data-bbox="235 394 505 468">Basis of Difference</th> <th data-bbox="505 394 776 468">Business</th> <th data-bbox="776 394 1047 468">Profession</th> <th data-bbox="1047 394 1320 468">Employment</th> </tr> </thead> <tbody> <tr> <td data-bbox="235 468 505 615">1. Commencement</td> <td data-bbox="505 468 776 615">Starts after completing some legal formalities if needed.</td> <td data-bbox="776 468 1047 615">Starts after getting certified from the institution concerned.</td> <td data-bbox="1047 468 1320 615">Starts after getting appointment letter.</td> </tr> <tr> <td data-bbox="235 615 505 720">2. Investment</td> <td data-bbox="505 615 776 720">Capital is needed according to its nature and size.</td> <td data-bbox="776 615 1047 720">Generally, a little capital is required.</td> <td data-bbox="1047 615 1320 720">There is no need of capital.</td> </tr> <tr> <td data-bbox="235 720 505 804">3. Risk</td> <td data-bbox="505 720 776 804">It involves high risk.</td> <td data-bbox="776 720 1047 804">The degree of risk is low.</td> <td data-bbox="1047 720 1320 804">There is no risk in it.</td> </tr> <tr> <td data-bbox="235 804 505 909">4. Objective</td> <td data-bbox="505 804 776 909">To earn profit</td> <td data-bbox="776 804 1047 909">To earn profit through service</td> <td data-bbox="1047 804 1320 909">To earn income through salary or wages.</td> </tr> <tr> <td data-bbox="235 909 505 993">5. Test of Efficiency</td> <td data-bbox="505 909 776 993">Profit earned</td> <td data-bbox="776 909 1047 993">Quality of service provided</td> <td data-bbox="1047 909 1320 993">Dedication of job</td> </tr> </tbody> </table>	Basis of Difference	Business	Profession	Employment	1. Commencement	Starts after completing some legal formalities if needed.	Starts after getting certified from the institution concerned.	Starts after getting appointment letter.	2. Investment	Capital is needed according to its nature and size.	Generally, a little capital is required.	There is no need of capital.	3. Risk	It involves high risk.	The degree of risk is low.	There is no risk in it.	4. Objective	To earn profit	To earn profit through service	To earn income through salary or wages.	5. Test of Efficiency	Profit earned	Quality of service provided	Dedication of job	1 Mark for each difference
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	<p>A company is that form of business organization which is willingly established by some persons for earning profit under the Companies Act. Many persons jointly invest capital in a company and, therefore, it is also called Joint Stock Company. Its capital is divided into transferable shares, which means that its shares can be generally bought and sold. Liability of its members is limited. The business of a company is stable and its business is run through a Common Seal. Till now in India the incorporation of companies is done under the Indian Companies Act, 1956. But now Companies Act, 2013 came into existence.</p> <p><b>Definitions of Company</b></p> <p>That group of people which is incorporated under the Companies Act, whose creation is due to a special purpose, the liability of the members is generally limited, whose existence is separate from its members and is continuous or perpetual and which has a common seal, is called a company.</p> <p>Following are the major definitions of a company:</p> <p><b>(i) According to Prof. L.H. Haney,</b> "Company is an artificial person created by law having separate entity with a perpetual succession and common seal."</p> <p><b>(ii) According to the Indian Companies Act, 1956,</b> "A company means a company formed and registered under this Act (Companies Act, 1956) or any previous Act."</p>	2 marks for definition and .5 marks for each difference.																								



Distinction between Private Company and Public Company		
Basis of Difference	Private Company	Public Company
1. Number of Members	Minimum-02 Maximum-200	Minimum-07 (As per Companies Act, 2013) Maximum-No limit
2. Name	It is necessary to add the word 'Private Limited' after the name of the private company.	It is essential to add the word 'Limited' after the name of the public company
3. Number of Directors	A minimum number of two directors is essential.	A minimum number of three director is essential.
4. Invitation to Public	Private company cannot invite public for issuing shares and debentures.	Public company can invite public for issuing its shares and debentures.
5. Transfer of Shares	There is no freedom to transfer shares in a private company.	There is no restriction on the transfer of shares.
6. Issue of Prospectus	Private company cannot issue prospects and statement in lieu of prospects	It is essential to issue statement in lieu of prospectus in the absence of prospectus and send it to the Registrar.

