



INDIAN SCHOOL DARSAIT
ANSWER KEY FOR FIRST TERM EXAMINATION- SEPT. 2018
BUSINESS STUDIES (054)



Class: XI
 Date:25-09-2018

Max. Marks: 90
 Time: 3 Hours

General Instructions:

- (i) All questions are compulsory.

1.	Business is an economic activity involving the production and sale of goods and services undertaken with a motive of earning profit.	1
2.	No. Aman has supplied food free of cost and not for money, due to his love for Suraj, So it is not a business activity.	1
3.	Speculative risks: It involves possibility of profit or loss. It is due to changes in the market conditions like change in demand and supply, price, fashion etc. Favourable market conditions result in profit and unfavourable market conditions result in loss. Pure risks: It involves possibility of loss or no loss. E.g.: fire, theft, strike etc.	1
4.	“Accepting deposits for lending & investment repayable on demand or withdrawable by cheque, draft etc.”	1
5.	Indian Partnership Act 1932 defines a partnership as “ the relation between persons who have agreed to share the profit of the business carried on by all or any one of them acting for all”	1
6.	The members other than Kartha of a Hindu Undivided Family business. They have limited liability.	1
7.	Private sector consists of the businesses owned by individuals or group of individuals such as Sole proprietorship, Partnership, Companies, Cooperative Societies, Hindu Undivided family.	1
8.	Because they operate in more than one country, have huge resources, large no. of products, huge capital, advanced technology, foreign collaboration, market strategy, and branches across the world.	1
9.	(a) Nestle is a global enterprise/ Multi national Corporation. (b) (i) Huge capital resources as they are able to raise huge capital by issue of shares, debentures, loans from financial institutions etc. (i) Multi National Corporations (ii) Operations in many countries (iii) Huge size, large no. of products,, marketing strategy for all over the world	3

	<ul style="list-style-type: none"> (iv) Huge capital (v) Foreign collaboration (vi) Advanced technology (vii) Product innovation (viii) Expansion of market territory (ix) Centralised control <p>(any three features)</p>	
10.	<p>Merits:</p> <ol style="list-style-type: none"> 1. Ease of formation & closure as the partnership is formed easily by admitting Arun 2. Balanced decision making by mutual consent by Amit and Arun 3. More funds as there are two partners 4. Sharing of risks by two partners 5. Secrecy as it does not require to publish reports <p>Demerits:</p> <ol style="list-style-type: none"> 1. Unlimited liability as the partners are personally responsible for the debts of the business 2. Limited resources as there are only two partners 3. Possibility of conflicts as the partners differ in choice and time wasted to reach mutual consent. 	3
11.	<ol style="list-style-type: none"> 1. Is an <u>Economic Activity</u> as it is undertaken with the object of earning or livelihood and not because of love or sympathy. 2. Involves Goods & services, either manufacture or procured and offered to people for consumption 3. Includes <u>Sale / Exchange</u> of Goods and Services as producing for own use is not business 4. Is dealt on <u>Regular basis</u> as a single transaction is not business. 5. Has Profit Earning Motive, as the sale of goods free of cost is not a business 6. Involves <u>Risk & Uncertainty</u> as it is not certain that profit can be made and there is a chance of loss also. 	3
12.	<p>No, the company cannot proceed with allotment as the minimum subscription of 90% of the issue has not met. As per Companies Act if the company does not receive minimum subscription the money received should be refunded.</p>	3

13.		Type	Capital	Management	Share profit/ loss	Liability	3
		Active partner	contributes	participates	shares	Unlimited	
		Sleeping partner	contributes	Does not participate	shares	Unlimited	
		Secret partner	contributes	Participates secretly	shares	Unlimited	
		Nominal partner	Does not contribute	Does not participate	Does not share	Unlimited	
		Partner by estoppel	Does not contribute	Does not participate	Does not share	Unlimited	
		Partner by holding out	Does not contribute	Does not participate	Does not share	Unlimited	
14.	<p>1 Business risks arise due to uncertainties: It is due to lack of knowledge about what is going to happen in future. E.g. Natural calamities, change in demand, supply, price and govt. policy etc cannot be predicted.</p> <p>2. Business risk is an essential part of every business: No business can avoid risk.</p> <p>3. Degree of risk depends upon the nature & size of business: Large business has more risk than small business</p> <p>4. Profit is reward for risk taking: No risk, no gain; greater risk, higher the profit.</p>						3
15	<p>(a) A cooperative society is a “ A voluntary association of persons who join together with the motive of welfare of the members” Amul is formed as a cooperative society to protect the economic interests of members and to avoid exploitation by middlemen. It is governed by Cooperative Societies Act 1912. Registration is compulsory with Min. 10 persons. Anyone can join or quit as per his wish irrespective of religion, gender, caste etc. Entry and exit of members are not affected, Control by elected Management Committee , Service motive, mutual help and welfare of members; “ All for each, each for all”</p> <p>(b) Merits:</p> <p>1. Equality in voting status: “One man, one vote” irrespective of the capital contribution or number of shares one holds</p> <p>2. Limited liability: Members’ personal assets are safe from being used to repay the business debts</p>						4

	<p>3. Stable existence: Death, retirement, bankruptcy etc. of members do not affect the continuity of the society.</p> <p>4. Economy in operations: members offer honorary service to cooperative society. This reduces costs. Customers or producers are members, so there is no bad debts.</p> <p>5. Support from government: such as subsidies, low taxes, loans at low interest rates etc.</p> <p>6. Ease of formation: Simple procedures for registration with minimum 10 members.</p> <p>(any 4 merits)</p>	
16.	<p>(a) A cheque is the most convenient and inexpensive medium of exchange. It is used to withdraw money from account or to pay to another party. They are of two types:</p> <ol style="list-style-type: none"> 1. Bearer cheque: encashed at counter directly 2. Crossed cheques: deposited to account <p>(b) Draft is a cheque provided at nominal commission to a customer, prepared by a bank drawn on another branch or bank. It is used to send/remit money. It is payable through a bank account. It cannot be bounced as money is already paid to bank. But cheque can bounce as it is issued even though there is no money in the account.</p> <p>(c) Real Time Gross settlement: It is a way of transfer of money quickly, maintained by RBI. Minimum amount Rs 2,00,000 can be transferred between banks on “real time” basis. It transfers from one account to another account. Charges: up to Rs. 55. Transfer cannot be stopped payment once the process is started.</p> <p>OR</p> <p>National Electronic Fund Transfer: It is Maintained by RBI. Any amount can be transferred, It Is not as quick as RTGS. It transfers money between banks in batches of hourly time slots 12 settlements between 8 am to 7 p.m. Account is needed to transfer and Rs 50,000/- without account. Charges: up to Rs. 25/- Transfer cannot be stopped once the process is started.</p>	4
17	<p>(a) Private Public partnership: It is a cooperative arrangement between public and private sectors for a long term.</p> <p>(b) The government may benefit by PPP in the following ways:</p> <ol style="list-style-type: none"> (i) It helps govt to take advantage of the expertise and efficiency of private sector. (ii) Govt can reduce investment in various projects. (iii) It helps in the development of infrastructure. (iv) BOT : Build Operate and Transfer, projects of airports, bridges, bus stations etc can be constructed by private sector, and they operate it for a period of (say 30 years) and then 	4

	hand over the same to government.													
18.	<p>Commerce includes all those activities that remove hindrances in the movements of goods from producers to consumers. It is of 2 types: 1. Trade 2. Auxiliaries to trade</p> <p>1. Trade: It is buying and selling of goods and services. It is of 2 types: I. Internal trade II. External trade.</p> <p>I. Internal trade: It is sale or exchange within the country. It is of 2 types: a) wholesale trade which involves trading of goods in bulk b) Retail trade which involves trading of goods in smaller quantities.</p> <p>II. External trade: It is sale or exchange between 2 countries. It is of 3 types: a) Export in which goods are sold to other countries b) Import trade in which goods are purchased from another country (c) Entrepot trade in which goods are imported for the purpose of exporting to other countries</p> <p>Auxiliaires to trade: These are activities that facilitates trade. They are outlined below:</p> <p>(a) Banking & finance: It removed hindrance of finance. It offers loans, collects cheque etc.</p> <p>(b) Transport & communication: It removes hindrance of place. It moves goods from one place to another and exchanges information between producers, trades and consumers</p> <p>(c) Insurance: It removes hindrance of risk. It provides protection of goods against risk and uncertainties</p> <p>(d) Warehousing; It removed hindrance of time. It stores goods safely for future consumption and helps to maintain demand and supply and stabilize price.</p> <p>(e) Advertisement: It removes the hindrances of knowledge by providing information to customers.</p>		4											
19.	<p>(a) Principle of Mitigation has been violated in this case.</p> <p>(i) According to this principle, the insurer must behave with great prudence in taking steps to minimize the damage or loss to the insured property.</p> <p>(ii) The insurance company will not be liable to settle the claims of the insured in case it is proved that the insured was careless and did not take the necessary steps to avoid or minimize the amount of loss.</p>		4											
20	<table border="1"> <thead> <tr> <th>Basis</th> <th>Partnership</th> <th>Hindu Undivided Family</th> </tr> </thead> <tbody> <tr> <td>Formation</td> <td>Easy to form, registration is optional</td> <td>Easy, registration is optional, less legal formalities</td> </tr> <tr> <td>Members</td> <td>Min. 2; max: 50</td> <td>Min. 2, max; no limit</td> </tr> <tr> <td>Capital</td> <td>Limited, but more than that of sole proprietorship</td> <td>Ancestral property</td> </tr> </tbody> </table>	Basis	Partnership	Hindu Undivided Family	Formation	Easy to form, registration is optional	Easy, registration is optional, less legal formalities	Members	Min. 2; max: 50	Min. 2, max; no limit	Capital	Limited, but more than that of sole proprietorship	Ancestral property	5
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	Liability	Unlimited and joint	Unlimited (kartha), Limited (co-parceners)	
	Control & management..	Partners take decisions with consent fo all partners	Kartha takes decisions	
	Continuity	More stable, but affected by status of partners	Stable , business continues even if kartha dies	
21.	<p>(i) Profit is a source of income for businessmen</p> <p>(ii) It is a source of finance for expansion of business</p> <p>(i) It indicates efficiency of work</p> <p>(ii) It is society’s approval of the utility of the business</p> <p>(iii) It builds the reputation of the business</p> <p>(iv) It is the reward for risk taking.</p> <p>(b) Yes, I agree with this statement. Because business tries to create a balance between the needs of different interest gropus such as consumers, employees and the society. Therefore it needs the multiple objectives given below:</p> <p>(i) Market standing which refers to the position of the firm in relation to its competitors</p> <p>(ii) innovation to introduce new ideas and methods in the production and supply of goods and services</p> <p>(v) Productivity by the best use of resources</p> <p>(vi) Physical and financial resource: business aims at acquiring them efficiently</p> <p>(vii) Earning profit for survival and growth</p> <p>(viii) Manager performance and development by motivation</p> <p>(ix) Improving worker performance and positive attitude</p> <p>(x) Social responsibility by contributing towards solving social problems and by working in a socially desirable manner</p>			5
22.	<p>(a) banking over internet is known as e-banking.</p> <p>(b) the advantages:</p> <p>(i) It provides 24 x7 x 365 days a year services. unlimited network of banks</p> <p>(i) Use PC, Tablet, Use mobile phone</p> <p>(ii) e.g. State bank freedom</p> <p>(iii) Connect to bank’s website</p> <p>(iv) EFT, ATM, CDM, Credit card, debit card, PoS,</p> <p>(v) Reduces transaction cost, workload</p> <p>(vi) 24 x 7 service,</p> <p>(vii) Can perform from home, office, while travelling</p> <p>(viii) No need to travel with cash</p>			5

(c) National Electronic Fund Transfer: It is Maintained by RBI. Any amount can be transferred, It Is not as quick as RTGS. It transfers money between banks in batches of hourly time slots 12 settlements between 8 am to 7 p.m. Account is needed to transfer and Rs 50,000/- without account. Charges: up to Rs. 25/- Transfer cannot be stopped once the process is started.

23. (a) A Joint Venture is the pooling of resources and expertise by two or more businesses to achieve a particular goal wherein risk and rewards are shared.

(c) Features:

- 2 business firms join hands for mutual benefits
- Profits and losses are shared
- They can be a govt firm and a private firm or 2 private firms or an Indian firm and a foreign firm
- A joint venture agreement is made
- Pooling of expertise and resources
- Its for expansion, develop new product and for moving to new market
- They share distribution channels, technology, capital, resources, risk etc.
- JV comes to an end on completion of the project
- Increased resources and capacity
- Access to new markets and distribution networks
- Access to advanced technology
- Innovation
- Low cost of production
- Established brand name

Comparison between Business, Profession and employment

Basis of	Business	Profession	Employment
1.Mode of establishment	Owner’s decision and other legal formalities	Membership of professional body and certificate of practice	Appointment letter and service agreement
2.Nature of work	Provision of goods and services to public	Rendering of personalized expert services	Performing work as per services contract and rules of services
3. Qualification	No minimum qualification necessary	Qualification, expertise and training in specified field as prescribed by the professional body	Qualification & training as prescribed by employer
4. Reward or return	profit	Professional fee	Salary or wages
5. Capital investment	Required as per size and	Limited capital needed	No capital required

	nature of business	for establishment	
6. Risk	Profit is uncertain, risk is present	Fee is regular and certain, some risk	Fixed and regular pay, no or little risk
7. Transfer of interest	Possible with some formalities	Not possible	Not possible
8. Code of conduct	No code of conduct	Professional code of conduct is to be followed	Norms of behavior laid down by employer are to be followed

OR

INDUSTRY

Industry refers to economic activities which are connected with conversion of resources into useful goods.

It includes producing, processing, breeding of animals etc.

Industry is divided into primary, secondary and tertiary sectors.

1. Primary industries include extraction and production of natural resources and reproduction and development of living organisms, plants etc. They are:

- (i) **Extractive Industry:** They extract products from natural resources, supplying raw materials . eg.; mining, fishing, farming etc.
- (ii) **Genetic industries:** they breed plants and animals for reproduction. Eg; cattle breeding farms, poultry, fish hatchery etc.

2. Secondary industries: These are connected with using the materials extracted at primary stage. These are further divided into 2:

(i) manufacturing industries : They use raw materials of primary sector, convert them into finished goods. They are:

- (a) Analytical industry which separates different elements from same materials (e.g.oil refinery),
- (b) Synthetical industry which combines various ingredientys into a new product (e.g. cement)
- (c) Processing industry which involves stages of production (e.g sugar)
- (d) Assembling industry which assembles various component parts to a new product (e.g. car, computer)

(ii) Construction industries: These are construction of buildings , dams, airports, roads, railways, tunnels, canals etc

3. Tertiary industries: Provide support to primary and secondary industries and trade. They are part of commerce as they are auxiliaries to trade and they remove hindrances of trade. They are Banking, Transport & Communication, Warehousing, Insurance, Advertising etc.

Formation of a company

25. (i) **Promotion:** identification of business opportunity, conducting feasibility studies, name approval, fixing signatories, appoint professionals, preparation of documents

- (ii) **Incorporation:** Filing of application along with documents with Registrar
- (iii) **Subscription:** SEBI approval, Filing of Prospectus, Appointment of bankers, brokers and underwriters, receiving minimum subscription of shares, application to stock exchanges, listing, allotment of shares
- (iv) **Commencement of business:** Start business after getting Certificate of Incorporation and or Certificate of Commencement of business
- (well explained answer for 6 marks)

OR

Comparison between Memorandum of Association and Articles of Association

Basis of Difference	Memorandum of Association	Articles of Association
Objectives	It defines objects for which the company is formed	It includes Rules of internal management; How to achieve company's objectives
Position	Main document which is subordinate to companies Act	Subsidiary document which is subordinate to memorandum & companies Act
Relationship	Defines relationship of company and outsiders	Defines relationship of the members and the company
Validity	Act beyond Memorandum is invalid	Act beyond Article is valid if they do not violate Memorandum
Necessity	Compulsory to file M/A	Not compulsory as public company can file Table A
Alteration	Difficult and approval of statutory authority is needed	Can be altered by special resolution by members

Difference between private sector and public sector.

S. No.	Basis	Private Sector	Public Sector
1	Meaning	Consists of business organisations owned by individuals or group of individuals	Consists of business organisations owned and managed by government, partly or fully owned by govt.
2	Objective	Profit maximisation	Profit and social welfare
3	Accountability	To the owners	To the general public

4	Types	Sole proprietorship, partnership, companies, Joint Hindu Family, cooperative society	Departmental Undertakings, Statutory corporations, Govt. Companies
5	Sources of capital	Shares, debentures, loans from banks and financial institutions etc.	Public revenue like tax, duty, penalty etc.

OR

Public sector enterprises:

1. Departmental Undertakings

Features:

- These are part of ministry
- Under central or state govt.
- Funding by govt.
- Govt. accounting and auditing
- Government employees
- Headed by IAS officers
- Subdivision of govt department
- Accountable to ministry, parliament, govt
- Eg.: Indian Railway, Post & Telegraph Department

Merits:

- Effective control by Parliament
- Public accountability
- Revenue earned by them is income for govt
- They are suitable where national security is concerned

Limitations:

- Lack of flexibility
- Lack of freedom to take decisions
- Delays
- Unable to take advantage of opportunities
- Red tapism
- Political interference
- Lack of adequate services to consumers

2. Statutory Corporations

Features:

- Formed by a Special Act
- Eg: National Thermal Power Corporation
Oil & Natural Gas Corporation
- Wholly owned by govt.
- It can enter into contracts and own property
- Separate legal entity
- Funds by borrowings from govt. & public
- No govt. accounting & auditing
- Employees are not govt. servants

Merits:

- It can enter into contracts and own property and has separate legal entity
- Limited control by govt.
- Autonomy and freedom
- Helps economic development of the country

Limitations:

- Some times there may be excessive control by govt.
- Political interference
- Restricted freedom
- Corruption
- Delay due to disagreement between them and govt.

3. Govt. Companies

Features:

- Registered & managed under Indian Companies Act
- Minimum 51 % of capital is held by govt.
- Separate legal entity: it can sue and be sued, enter into contracts and own property
- Governed by BoD
- Employees are appointed as per Memorandum of Association
- Auditor is appointed by Govt.
- Annual report is presented in parliament/ State Assembly

Merits:

- No need to pass a separate Act to form them

- Separate legal entity apart from govt.
- Autonomy in functioning
- Provides various goods and services and has good image

Limitations:

- When govt. is the only shareholder Companies Act may not be followed and the objectives of the companies are neglected
- They are not directly accountable to parliament though they are funded by govt.

Various types of bank Accounts:

1. Saving Bank Account (SB) :

- It is to encourage savings by individuals
- Lower rate of interest
- Pass book, cheque book and ATM card available as required
- Minimum balance is to be maintained
- There are restrictions regarding withdrawal and deposit per month for amount and no. of times

2. Fixed Deposit Account (FD)

- These are time deposits: A fixed amount is deposited for a fixed period (15 days, 30 days, 45 days, 180 days, 1 year, 2 years, etc) at a fixed rate of interest
- Higher rate of interest
- Premature withdrawal is permissible with a deduction from the fixed rate of interest
- Fixed Deposit receipt issued.

3. Current Account

- It is opened by business or other organizations
- There is no interest given
- Pass book, cheque book and ATM card available as required
- Overdraft facility may be available
- There are no restrictions regarding withdrawal and deposit per month for amount and no. of times

4. Recurring Deposit

- It is a special kind of term deposit in which people deposit a fixed amount into their account

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every month for a fixed period of time

- Rate of interest is similar to that of FD
- The deposit matures on a specific date in the future

5. Multiple Option Deposit

- It is a combination of two accounts as follows:

(a) SB account and FD Account:

- Higher rate of interest
- Pass book, cheque book and ATM card available as required
- Minimum balance is to be maintained

(b) Current Account and FD Account:

- Higher rate of interest
- Pass book, Cheque book and ATM card are available
- Overdraft facility may be available.

OR

Nature of Service

Service is the general term that describes the work of specialised nature that supports a business but does not produce a tangible commodity.

- Intangible: Service can't be seen or touched, it is experimental.
- Inseparable: Production and consumption of services take place at the same time
- Inconsistent: Service is not a standard product, it is performed exclusively every time to meet the needs
- Inventory (less): Service can't be stored for future use
- Involvement: Customer is involved when the service is provided.

Services are business services, social services and personal services.