



**INDIAN SCHOOL DARSAIT**  
**ANSWER KEY FOR SECOND TERM EXAMINATION- DEC. 2017**  
**BUSINESS STUDIES (054)**



Class: XI  
 Date: 20-12-2017

Max. Marks: 90  
 Time: 3 Hours

**General Instructions:**

(i) All questions are compulsory.

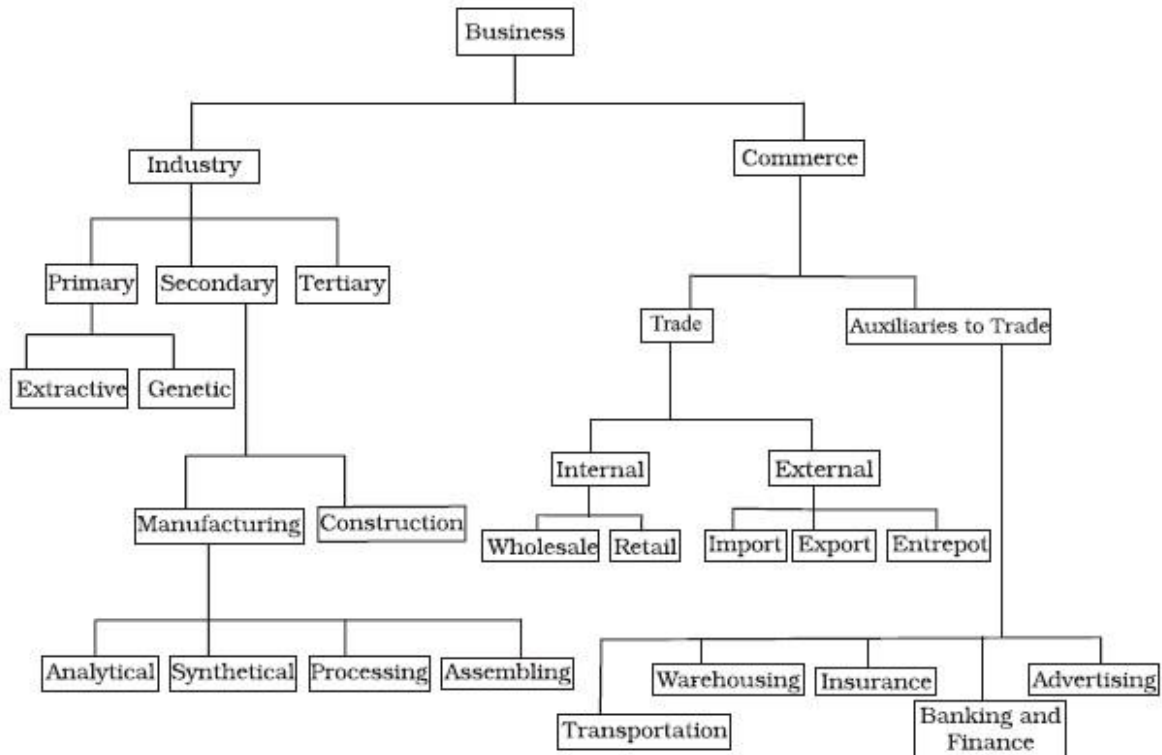
|     |   |   |
|-----|---|---|
| 1.  | Multi National Corporation / MNC/ Global Enterprise   | 1 |
| 2.  | Profession  | 1 |
| 3.  | Workers   | 1 |
| 4.  | Sole proprietorship.<br>"It is a form of business organization which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks".  | 1 |
| 5.  | Small enterprise under manufacturing sector.  | 1 |
| 6.  | Undistributed profit which is reinvested in the business / profit which is ploughed back.   | 1 |
| 7.  | "A share is a share in the share capital of a company" / "A share is a small unit into which the share capital of a company is divided"   | 1 |
| 8.  | District Industries Centre- DIC   | 1 |
| 9.  | (a) "The possibility of inadequate profits or even losses due to uncertainties or unexpected events".<br>(b) Speculative risk.  | 3 |
| 10. | (a) DTH ( Direct to Home ) Service<br><br>(b) 1. Cellular Mobile Services : Mobile telecom services including voice and non voice messages and data services<br>2. Radio paging Services : It is one way information broadcasting solution.<br>3. Fixed line services: Voice, non-voice messages and data services using optical fibre cables.<br>4. Cable services: These are media & entertainment services provided in an area.<br>5. VSAT services- Very Small Aperture Terminal that provides reliable and uninterrupted services to<br>govt. and business | 3 |

|                                    | ( Any two)  |  |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
|------------------------------------|---|--|----------------------|-------------|-----------|-----------|------|-------------------|--------|------------|-------------------------|--|------|----------------|------|-----|----------------|------|-----|---------|------------------------|--------|------------------------|--|--|---------------------------------|------|---------------|--------------------------|----------------|-----------------|------------------------------------|--|--|---------------------|-----------|------|--------------|-----------|---|--------------|------|-------------------------------------|-----------------|-----------|-----------------------------------|---------------|----------------------------|---------------|------------------|----------------------------------|---|---|
| 11.                                | <table border="1"> <thead> <tr> <th>Basis</th> <th>Traditional business</th> <th>E- business</th> </tr> </thead> <tbody> <tr> <td>Formation</td> <td>Difficult</td> <td>easy</td> </tr> <tr> <td>Physical presence</td> <td>Needed</td> <td>Not needed</td> </tr> <tr> <td>Locational requirements</td> <td>Near to sources of raw materials or market</td> <td>none</td> </tr> <tr> <td>Cost of set up</td> <td>High</td> <td>low</td> </tr> <tr> <td>Operating cost</td> <td>High</td> <td>low</td> </tr> <tr> <td>Contact</td> <td>Through intermediaries</td> <td>direct</td> </tr> <tr> <td>Internal communication</td> <td>Hierarchical: top – middles- lower- operational management</td> <td>Non hierarchical: direct vertical, Horizontal and diagonal</td> </tr> <tr> <td>Response time to meet customers</td> <td>Long</td> <td>instantaneous</td> </tr> <tr> <td>Organisational structure</td> <td>Vertical/ tall</td> <td>Horizontal/flat</td> </tr> <tr> <td>Business process &amp; length of cycle</td> <td>Sequential: purchase-production-marketing-sales, so longer</td> <td>Simultaneous different process, so shorter</td> </tr> <tr> <td>Interpersonal touch</td> <td>Much more</td> <td>less</td> </tr> <tr> <td>Pre-sampling</td> <td>Much more</td> <td>Less, only for items like software, videos etc.</td> </tr> <tr> <td>Going global</td> <td>Less</td> <td>Much as cyber space has no boundary</td> </tr> <tr> <td>Govt. patronage</td> <td>shrinking</td> <td>Much, It sector gets top priority</td> </tr> <tr> <td>Human capital</td> <td>Semi skilled and unskilled</td> <td>professionals</td> </tr> <tr> <td>Transaction risk</td> <td>Less as face to face transaction</td> <td>High due to distance and anonymity of parties</td> </tr> </tbody> </table> <p>( Any 3 differences)</p> | Basis  | Traditional business | E- business | Formation | Difficult | easy | Physical presence | Needed | Not needed | Locational requirements | Near to sources of raw materials or market | none | Cost of set up | High | low | Operating cost | High | low | Contact | Through intermediaries | direct | Internal communication | Hierarchical: top – middles- lower- operational management | Non hierarchical: direct vertical, Horizontal and diagonal | Response time to meet customers | Long | instantaneous | Organisational structure | Vertical/ tall | Horizontal/flat | Business process & length of cycle | Sequential: purchase-production-marketing-sales, so longer | Simultaneous different process, so shorter | Interpersonal touch | Much more | less | Pre-sampling | Much more | Less, only for items like software, videos etc. | Going global | Less | Much as cyber space has no boundary | Govt. patronage | shrinking | Much, It sector gets top priority | Human capital | Semi skilled and unskilled | professionals | Transaction risk | Less as face to face transaction | High due to distance and anonymity of parties | 3 |
| Basis                              | Traditional business  | E- business  |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Formation                          | Difficult   | easy   |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Physical presence                  | Needed  | Not needed   |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Locational requirements            | Near to sources of raw materials or market  | none   |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Cost of set up                     | High  | low  |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Operating cost                     | High  | low  |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Contact                            | Through intermediaries  | direct   |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Internal communication             | Hierarchical: top – middles- lower- operational management  | Non hierarchical: direct vertical, Horizontal and diagonal |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Response time to meet customers    | Long  | instantaneous  |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Organisational structure           | Vertical/ tall  | Horizontal/flat  |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Business process & length of cycle | Sequential: purchase-production-marketing-sales, so longer  | Simultaneous different process, so shorter                 |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Interpersonal touch                | Much more   | less   |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Pre-sampling                       | Much more   | Less, only for items like software, videos etc.            |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Going global                       | Less  | Much as cyber space has no boundary                        |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Govt. patronage                    | shrinking   | Much, It sector gets top priority                          |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Human capital                      | Semi skilled and unskilled  | professionals  |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| Transaction risk                   | Less as face to face transaction  | High due to distance and anonymity of parties              |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| 12.                                | <p>(i) Air Pollution: It is due to vehicular traffic, emission of chemicals, smoke, fog etc. It leads to global Warming</p> <p>(ii) Water pollution: injection of harmful substances like toxic chemicals and wastes in lakes, rivers etc. It is a threat to aquatic animals and humans.</p> <p>(iii) Land pollution: Due to dumping of harmful wastes. It affects fertility of the soil and quality of agricultural products.</p>  | 3  |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |
| 13.                                | <p>Land: providing plots without rent in the initial years or accepting payment in instalments</p> <p>Power: electricity at concessional rate or freely in the initial years</p>  | 3  |                      |             |           |           |      |                   |        |            |                         |  |      |                |      |     |                |      |     |         |                        |        |                        |  |  |                                 |      |               |                          |                |                 |                                    |  |  |                     |           |      |              |           |   |              |      |                                     |                 |           |                                   |               |                            |               |                  |                                  |   |   |

|     |  |   |
|-----|--|---|
|     | <p>Water: supplied at no profit no loss basis or at concessional rate or freely in the initial years</p> <p>Tax holiday: no tax for 5 to 10 years for industries in back ward and hilly areas</p> <p>Finance: loans at concessional rate and subsidy of 10 to 15 percent.</p>  |   |
| 14. | <p>Finance: It is the fund required by a business to carry out its various activities./ It is concerned with the acquisition and conversion of capital funds in meeting the financial needs and overall objectives of a business firm.</p> <p>Needs &amp; importance:</p> <ul style="list-style-type: none"> <li>• Finance is life blood of business</li> <li>• Working capital requirement</li> <li>• It is needed for day to day operations, purchase raw materials, paying salary and expenses,</li> <li>• Fixed capital requirement: to buy fixed asstes</li> <li>• The business enterprise revolves around funds</li> <li>• Money is required to commence, continue, expand, modernize and diversify the business</li> </ul> <p>( Any three points)</p> | 3 |
| 15. | <p>(a) Departmental undertaking under ministry, part of central of state governments</p> <p>(b) Government servants/ employees</p> <p>(c) Concern for elderly persons/ sports persons/ special students / sympathy/ kindness/ humanity/ generation of employment etc. ( any two )</p>  | 4 |
| 16. | <p>(a) Types of partners are :</p> <p>Rakesh : Active partner as he contributes capital and carry out business of the firm.</p> <p>Sudhir: Secret partner as his association with the firm is hidden from public.</p> <p>Mohit: Dormant/ sleeping Partner as he does not take part in the day to day activities of the Business</p> <p>(b) values: generation of employment, raising standard of living of people, rural development</p>   | 4 |
| 17  | <p>( a) the types of bank accounts are:</p> <p>Farhan: Current Account</p> <p>Farhan's father: Fixed deposit</p> <p>Farhan's mother: Saving Bank ( SB) account</p> <p>Sohail; Recurring Deposit</p> <p>(b) Other services of banks:</p>  | 4 |

|        | Bank Draft- DD, Banker's cheque, RTGS, NEFT, Bank Over Draft, Cash Credit, E-banking, Mobile banking, ATM, CDM, Credit card, Debit card, Collection of income, payment of expenses, Standing order, direct credit, discounting bills, letter of credit, Accepting deposits, grant of loans, providing locker facility, underwriting etc.   |   |  |               |                |   |         |   |   |   |             |                             |  |   |                      |  |  |   |         |                                     |  |   |          |                               |   |   |        |  |  |   |
|--------|--|---|--|---------------|----------------|---|---------|---|---|---|-------------|-----------------------------|--|---|----------------------|--|--|---|---------|-------------------------------------|--|---|----------|-------------------------------|---|---|--------|--|--|---|
| 18.    | <p>(a) No, The company cannot issue more shares. Because, the company has already issued its entire authorized share capital.</p> <p>(b) Other options are : issue of debentures, Retained earnings, Loan from banks or financial institutions, Public deposits, trade credit, inter corporate deposits, Global Depository Receipts- GDR, American Depository Receipts- ADR etc.</p> <p>(c) Difference between owners' funds and borrowed funds:</p> <table border="1"> <thead> <tr> <th>S. No.</th> <th>Basis</th> <th>Owners' funds</th> <th>Borrowed funds</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Meaning</td> <td>The funds invested by owners like sole trader, partners, share holders etc.</td> <td>The funds raised through loans &amp; borrowings</td> </tr> <tr> <td>2</td> <td>Time Period</td> <td>Longer period, not refunded</td> <td>Specific period, repaid after the period</td> </tr> <tr> <td>3</td> <td>Management &amp; Control</td> <td>Owners get the control on the basis of this fund</td> <td>The providers of these funds do not get any right for management &amp; control</td> </tr> <tr> <td>4</td> <td>Sources</td> <td>Equity shares and retained earnings</td> <td>Loans from banks &amp; financial institutions, debentures, public deposits, inter corporate deposits, trade credit etc</td> </tr> <tr> <td>5</td> <td>Security</td> <td>No security/ charge on assets</td> <td>There can be security/ charge on the assets</td> </tr> <tr> <td>6</td> <td>Return</td> <td>Return is not compulsory, it depends on profit</td> <td>Payment of interest is compulsory regardless of profit</td> </tr> </tbody> </table> <p>( Any two differences, 2 x 1= 2 marks)</p> | S. No.  | Basis  | Owners' funds | Borrowed funds | 1 | Meaning | The funds invested by owners like sole trader, partners, share holders etc. | The funds raised through loans & borrowings | 2 | Time Period | Longer period, not refunded | Specific period, repaid after the period | 3 | Management & Control | Owners get the control on the basis of this fund | The providers of these funds do not get any right for management & control | 4 | Sources | Equity shares and retained earnings | Loans from banks & financial institutions, debentures, public deposits, inter corporate deposits, trade credit etc | 5 | Security | No security/ charge on assets | There can be security/ charge on the assets | 6 | Return | Return is not compulsory, it depends on profit | Payment of interest is compulsory regardless of profit | 4 |
| S. No. | Basis  | Owners' funds   | Borrowed funds   |               |                |   |         |   |   |   |             |                             |  |   |                      |  |  |   |         |                                     |  |   |          |                               |   |   |        |  |  |   |
| 1      | Meaning  | The funds invested by owners like sole trader, partners, share holders etc. | The funds raised through loans & borrowings  |               |                |   |         |   |   |   |             |                             |  |   |                      |  |  |   |         |                                     |  |   |          |                               |   |   |        |  |  |   |
| 2      | Time Period  | Longer period, not refunded   | Specific period, repaid after the period   |               |                |   |         |   |   |   |             |                             |  |   |                      |  |  |   |         |                                     |  |   |          |                               |   |   |        |  |  |   |
| 3      | Management & Control   | Owners get the control on the basis of this fund                            | The providers of these funds do not get any right for management & control   |               |                |   |         |   |   |   |             |                             |  |   |                      |  |  |   |         |                                     |  |   |          |                               |   |   |        |  |  |   |
| 4      | Sources  | Equity shares and retained earnings   | Loans from banks & financial institutions, debentures, public deposits, inter corporate deposits, trade credit etc |               |                |   |         |   |   |   |             |                             |  |   |                      |  |  |   |         |                                     |  |   |          |                               |   |   |        |  |  |   |
| 5      | Security   | No security/ charge on assets   | There can be security/ charge on the assets  |               |                |   |         |   |   |   |             |                             |  |   |                      |  |  |   |         |                                     |  |   |          |                               |   |   |        |  |  |   |
| 6      | Return   | Return is not compulsory, it depends on profit                              | Payment of interest is compulsory regardless of profit   |               |                |   |         |   |   |   |             |                             |  |   |                      |  |  |   |         |                                     |  |   |          |                               |   |   |        |  |  |   |
| 19.    | <p>(i) performing in a socially responsible way improves the image &amp; reputation of the business</p> <p>(ii) It makes them more profitable</p> <p>(iii) Unless the business function in a socially responsible way, it has little chance of success</p> <p>(iv) Threat of public regulation: if the business is irresponsible, action will be taken to against</p>  | 4   |  |               |                |   |         |   |   |   |             |                             |  |   |                      |  |  |   |         |                                     |  |   |          |                               |   |   |        |  |  |   |

- them by the government
- (v) Pressure of labour movement
  - (vi) Impact of consumer consciousness
  - (vii) Development of social standard for business
  - (viii) Development of business education
  - (ix) Relationship between social and business interest
  - (x) Development of professional managerial class
- ( any four points = marks )



**CHART SHOWING BUSINESS ACTIVITIES**

Business is divided into Industry (primary secondary and tertiary sectors) and Commerce.

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

- (i) **Extract 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: (i) manufacturing:** They use raw materials of primary sector, convert them into finished goods. They are Analytical ( oil refinery), synthetical ( cement), processing ( sugar) and assembling ( computer)

- (ii) **Construction:** Construction of buildings , dams, airports, roads, railways etc

|        | <p><b>3. Tertiary industries:</b> Provide support to primary and secondary industries and trade. They are part of commerce as they are auxiliaries to trade.</p> <p><b>Commerce:</b> These are trade and auxiliaries to trade that removes hindrances and facilitates trade. They are:</p> <p>1 <b>Banking:</b> It removed hindrance of finance by providing loans and other services</p> <p>2. <b>Transport &amp; Communication:</b> It removes hindrance of place by taking goods from place to place by road, rail, water, air, pipeline, tunnels, hyper loops etc.</p> <p>3 <b>Warehousing:</b> It removes hindrance of time by safely storing products</p> <p>4. <b>Insurance:</b> It removed hindrance of risk by reducing the effect of loss providing compensation</p> <p>5. <b>Advertising:</b> It removes the hindrance of knowledge by providing information about product</p>  |  |  |                |               |   |         |  |   |   |           |                     |                           |   |                |               |                       |   |       |  |  |   |                    |  |   |   |
|--------|--|--|--|----------------|---------------|---|---------|--|---|---|-----------|---------------------|---------------------------|---|----------------|---------------|-----------------------|---|-------|--|--|---|--------------------|--|---|---|
| 21.    | <p>Difference between private sector and public sector.</p> <table border="1" data-bbox="172 779 1422 1391"> <thead> <tr> <th>S. No.</th> <th>Basis</th> <th>Private Sector</th> <th>Public Sector</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Meaning</td> <td>Owned by individuals or group of individuals</td> <td>Owned and managed by government, partly or fully owned by govt.</td> </tr> <tr> <td>2</td> <td>Objective</td> <td>Profit maximisation</td> <td>Profit and social welfare</td> </tr> <tr> <td>3</td> <td>Accountability</td> <td>To the owners</td> <td>To the general public</td> </tr> <tr> <td>4</td> <td>Types</td> <td>Sole proprietorship, partnership, companies, Joint Hindu Family, cooperative society</td> <td>Departmental Undertakings, Statutory corporations, Govt. Companies</td> </tr> <tr> <td>5</td> <td>Sources of capital</td> <td>Shares, debentures, loans from banks and financial institutions etc.</td> <td>Public revenue like tax, duty, penalty etc.</td> </tr> </tbody> </table> <p>( 5 points x 1 = 5 marks)</p> | S. No.   | Basis  | Private Sector | Public Sector | 1 | Meaning | Owned by individuals or group of individuals | 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. | 5 |
| S. No. | Basis  | Private Sector   | Public Sector  |                |               |   |         |  |   |   |           |                     |                           |   |                |               |                       |   |       |  |  |   |                    |  |   |   |
| 1      | Meaning  | Owned by individuals or group of individuals   | 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.                        |                |               |   |         |  |   |   |           |                     |                           |   |                |               |                       |   |       |  |  |   |                    |  |   |   |
| 22     | <p>(i) Cost and ease in setting up the organization</p> <p>(ii) Liability</p> <p>(iii) Continuity</p> <p>(iv) Management ability</p> <p>(v) Capital consideration</p> <p>(vi) Degree of control</p> <p>(vii) Nature of business</p> <p>( any 5 points with explanation = 5 marks)</p>  | 5  |  |                |               |   |         |  |   |   |           |                     |                           |   |                |               |                       |   |       |  |  |   |                    |  |   |   |
| 23     | <p><u>Role of Small Business in India</u></p> <p>1. 90 % of industrial units in India are small industries</p>   | 5  |  |                |               |   |         |  |   |   |           |                     |                           |   |                |               |                       |   |       |  |  |   |                    |  |   |   |

|     |   |   |
|-----|---|---|
|     | <ol style="list-style-type: none"> <li>2. Contribute 40 % production &amp; 45 % export</li> <li>3. Backbone of Indian economy</li> <li>4. Play important role in India's position in international market</li> <li>5. Best suited to our economy due to surplus of labour, scarcity of capital &amp; unemployment</li> <li>6. Large employment opportunities</li> <li>7. Wide variety of products</li> <li>8. Balanced regional development &amp; remove disparity</li> <li>9. Platform for new enterprises</li> <li>10. Low cost of production</li> <li>11. Use of local resources</li> <li>12. Customized products</li> </ol>   |   |
| 24. | <p>Global enterprises are superior to other business due to the following reasons:</p> <ol style="list-style-type: none"> <li>(i) Huge capital resources</li> <li>(ii) Foreign collaborations</li> <li>(iii) Advanced technology</li> <li>(iv) Product innovation</li> <li>(v) Effective Marketing strategy</li> <li>(vi) Expansion of market territory</li> <li>(vii) Centralize control</li> </ol> <p>( any 6 well explained points = 6 marks)</p> <p style="text-align: center;"><b>OR</b></p> <p>(i) <b>Utmost good faith:</b> Insurer and the insured should disclose relevant/material information to each other</p> <p>(ii) <b>Insurable interest:</b> The insured should have pecuniary/insurable interest in the subject matter of insurance</p> <p>(iii) <b>Indemnity:</b> Insurer undertakes to put the insured in the position that he occupied before the happening of the event of loss</p> <p>(iv) <b>Proximate cause:</b> Compensation is given to losses stated in the policy, The most proximate cause of mishap is considered</p> <p>(v) <b>Subrogation:</b> Once the compensation is paid, the damaged property belong to the insurer and the insured cannot make profit by selling it</p> <p>(vi) <b>Contribution:</b> In case of double insurance insurers share the loss; The insured can't recover more than the loss</p> <p>(vii) <b>Mitigation:</b> The insured should try to reduce the loss/damage.</p> | 6 |

( any 6 points with explanation= 6 marks)

NATIONAL SMALL INDUSTRIES CORPORATION- FUNCTIONS:

1. Marketing: helps small industries to market their products
2. Registration for SSI's for government purchase
3. B2B Web portal for SSI's for marketing
4. Provides marketing information to SSI's
5. It facilitates SSI's to participate in exhibitions & trade fairs
6. Organises buyer- seller meets
7. e.g.: railways, defence, large companies etc meet small enterprises & give knowledge about quality standards
8. Supply imported machines & scarce raw materials
9. Export the products of small industries
10. Develop software technology parks
11. Provide ' Performance & credit rating' scheme

DISTRICT INDUSTRIES CENTERS ( DIC's)

- Set up in 1978
- Provides assistance to small, village & cottage industries at district level
- Provide administrative frame work at district level
- Identifies schemes, prepares feasibility reports, arranges credit, machinery, raw materials etc.
- Supports rural artisans, craftsmen & handloom operators
- Organise seminars, trade fairs etc.

OR

The company has not raised much debt, hence it should issue debentures to raise required fund.

The advantages of issue of debentures are :

- (i) Issue of debentures does not affect the ownership, management & control of the company as the debenture holders are creditors of the company and they have no voting right and right to take part in the management. It does not dilute the voting power, On the other hand issue of equity shares will affect the ownership, control and management of the company as they have voting rights and the right to take part in the management and control of the company. It dilutes the voting power.
- (ii) The interest of debentures are at fixed rate, hence in case of higher profit also the interest is paid at the same rate whereas the dividend of equity shares are to be paid at a higher rate in such a situation.
- (iii) The interest paid to debenture holders are treated as tax deductible expense whereas

25.

6



|     |   |   |
|-----|---|---|
|     | <p>dividend to equity share holders is taxable. The floatation cost of issue of debentures is less than that of equity shares.</p> <p>(iv) To issue equity shares, there are more formalities than to issue debentures.</p>   |   |
| 26. | <p><b>Benefits of E-business.</b></p> <ol style="list-style-type: none"> <li>1. <b>Ease of formation and lower investment requirements:</b> It can be started with less investment, without physical space, with the help of website, internet and network</li> <li>2. <b>Convenience:</b> 24x7x365 business; any time shopping, Employees can work from anywhere at any time; “Access anything, anywhere, any time”</li> <li>3. <b>Speed:</b> business is possible at a click of mouse; Music, software, e-books, movies etc. are delivered online, Money is quickly transferred electronically.</li> <li>4. <b>Global reach/access:</b> No boundary for internet; seller access to global market, buyer can choose product from any where,</li> <li>5. <b>Movement towards paperless society:</b> Paperwork is reduced, permissions, approvals and license are processed electronically/digitally.</li> </ol> <p style="text-align: center;"><b>OR</b></p> <ol style="list-style-type: none"> <li>(i) Justification for existence and growth</li> <li>(ii) Long term interest of the firm</li> <li>(iii) Avoidance of govt. regulations</li> <li>(iv) Maintenance of the society</li> <li>(v) Availability of the resources with the business</li> <li>(vi) Converting problems into opportunity</li> <li>(vii) Better environment for doing business</li> <li>(viii) Business is responsible for social problems</li> </ol> <p>( any 6 points with explanation= 6 marks)</p> | 6 |
| 27  | <p style="text-align: center;"><b><u>Partnership</u></b></p> <p>Features:</p> <ol style="list-style-type: none"> <li>1. Formation and governance as per Indian Partnership Act 1932</li> <li>2. Unlimited liability</li> <li>3. Risk is collectively borne by partners</li> <li>4. Collective management &amp; control</li> <li>5. Sharing of profit and losses</li> <li>6. Lack of continuity in case of retirement or death of a partner</li> <li>7. Minimum membership is two and maximum 50</li> </ol>  |   |

8. Mutual agency as every partner is agent as well as principal

Merits :

1. Easy formation and closure
2. Balanced decision making
3. More funds and managerial skills
4. Sharing of risk and losses
5. Maintenance of secrecy

Limitations:

1. Unlimited liability
2. Limited resources
3. Possibility of conflict
4. Lack of continuity
5. Lack of public confidence

( minimum two points each; 2 marks for features, 2 marks for merits and 2 marks for limitations)

OR

**Characteristic of Business**

1. Economic activity
2. Production or procurement of goods and services
3. Sale or exchange of goods and services
4. Dealings in goods and services in regular basis
5. Profit earning
6. Uncertainty of return
7. Element of risk

( any 6 well explained points = 6 marks)