



SHRI VIDHYABHARATHI MATRIC HR. SEC. SCHOOL

SAKKARAMPALAYAM, AGARAM (POST), ELACHIPALAYAM

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+2 COMMON ANNUAL EXAMINATION - MARCH - 2019

TENTATIVE ANSWER KEY

SUBJECT: COMMERCE

MARKS : 90

Q. NO	CONTENT	MARK
SECTION - I		
I	CHOOSE THE CORRECT ANSWER	
1.	a) Board organization	
2.	a) coparceners	
3.	c) Sole Trading concern	
4.	a) can keep business secrets	
5.	c) joint venture	
6.	d) 10	
7.	a) Agreement	
8.	c) Memorandum of Association	
9.	a) Model of articles of Association	
10.	d) All the above	
11.	b) Official Liquidator	20x1=20
12.	d) Special resolution	
13.	d) issue of debentures	
14.	d) 21	
15.	a) Broker - Taraniwala	
16.	c) (1) - (ii) (2) - (iii) (3) - (iv) (4) - (i)	
17.	a) co - operative Societies	
18.	a) Goods	
19.	d) Companies Act, 1956	
20.	c) 51%	

SECTION -II (any seven)		7x2=14
21.	<p>The Management of public Corporation:</p> <ul style="list-style-type: none"> ❖ It is managed by a Board of Directors. ❖ Generally, the board is nominated by the government on the basis of their experience and skill. 	2 mark
22.	<p>Board Organisation:</p> <ul style="list-style-type: none"> ❖ In this organisation management is carried on by a government nominated independent Board. ❖ It has its own rules and regulations. Tamil Nadu Electricity Board, Tamil Nadu Housing Board, Tamil Nadu Water and Drainage Board are the examples of Board Organisation. 	2 mark
23	<p>Sole Proprietorship according to P.K. Ghosh and Y.K. Bhushan :</p> <ul style="list-style-type: none"> ❖ According to P.K. Ghosh and Y.K. Bhushan, "The sole proprietorship is a form of organisation in which an individual introduces his own capital, uses his own skill and intelligence, and is entirely responsible for the results of its operations". 	2 mark
24	<p>Sub-Partner:</p> <ul style="list-style-type: none"> ❖ When a person makes an arrangement with a partner to share his profit, he is known as a sub-partner. ❖ Such a sub-partner has no rights against the firm, as he is not liable for the debts of the firm. 	2 mark
25.	<p>Irredeemable Preference Shares:</p> <ul style="list-style-type: none"> ❖ Any preference share that cannot be redeemed during the lifetime of the company is known as irredeemable preference Shares. 	2 mark
26.	<p>Minimum subscription:</p> <ul style="list-style-type: none"> ❖ This is the minimum amount required by a company to meet its fixed capital needs. It is fixed at 90 percent of the issued capital to the public. The amount should have been stated in the prospectus. 	2 mark
27.	<p>Promoter:</p> <ul style="list-style-type: none"> ❖ It is the promoter who gets the idea of starting a company and undertakes all the preliminary work necessary for its formation. 	2 mark
28.	<p>Regret letter:</p> <ul style="list-style-type: none"> ❖ After the allotment of shares, the allotment letters or share certificates be sent to the allottees within a reasonable time, say, two months from the date of closing of subscription list. ❖ Letters of regret along with refund orders must be sent to non-allotees. 	2 mark

29.	<p>Distribution of Surplus: (Any Two)</p> <ul style="list-style-type: none"> ❖ The profit of co-operative society is distributed to the members in the proportion of purchases made by the them, and not on shares held by them. ❖ In the case of credit societies, a minimum of 9 % of the profit is distributed as dividends. ❖ 25 % of profit is transferred to reserve fund and 10 % of profit is used for general social welfare activities. ❖ The rest is used to give bonus to members or rebate on the sales effected by them . This is known as “ Distribution Justice” 	2 mark
30.	<p>Organisation according to Lew is H. Haney:</p> <ul style="list-style-type: none"> ❖ According to Lewis H.Haney, “Organisation is a harmonious adjustment of specialised parts for the accomplishment of some common purpose or purposes”. 	2 mark
SECTION -III (any seven)		7x3=21
31.	<p>Purposes share premium amount can be utilized:</p> <ul style="list-style-type: none"> ❖ The Companies Act regulates the utilisation of share premium amount only for certain specified purposes such as issue of fully paid bonus shares, writing off preliminary expenses of the company, adjusting it against premium payable on redemption of redeemable preference shares or debentures, etc 	3 mark
32.	<p>Public Corporation Features: (Explain Any three)</p> <ol style="list-style-type: none"> 1. Separate Legal Entity 2. Perpetual Existence 3. Government Investments 4. Financial Autonomy 5. Management 6. Service Motive 7. Employees 8. Power and Duties 9. No Government Interference 10. Freedom of Action. 11. Accountability 12. Run on Commercial Lines 	3 mark

33.	<p>Limited Partnership:</p> <ul style="list-style-type: none"> ❖ A partnership in which the liability of the partner is limited is called limited partnership. ❖ The Law does not permit the formation of a limited partnership in India. But in Europe and U.S.A. limited partnership is allowed. ❖ A limited partnership firm must have atleast one partner whose liability is unlimited. The liability of remaining partners is limited. ❖ Thus limited partnership consists of two types of partners, general partner and limited partner. 	3mark
34.	<p>Convertible Preference Shares:</p> <ul style="list-style-type: none"> ❖ Where preference shares entitle their shareholders to convert their preference shares into equity shares within a specified period, they are known as Convertible Preference Shares. <p>Non-Convertible Preference Shares</p> <ul style="list-style-type: none"> ❖ Where preference shares cannot be converted into equity shares, they are called non-convertible preference shares. ❖ Once issued as preference shares, they continue to be only preference shares throughout the life time of the company without any change in their characteristics. 	3mark
35.	<p>Share Certificate Meaning:</p> <ul style="list-style-type: none"> ❖ Share Certificate is a certificate issued by a company under its common seal signed by one or more of its directors and its secretary, specifying the number of shares held by the named member and showing the distinctive numbers of the shares. ❖ It is an evidence of title to the shares. It can be issued even when the shares are partly paid up. ❖ A holder of a share certificate is a member of a company enjoying all the rights of membership. 	3 mark
36.	<p>Removal of Directors:</p> <ul style="list-style-type: none"> ❖ A director can be removed from office by the company by an ordinary resolution before the expiry of his term, when such a director has acted in fraudulent manner or abused his fiduciary position. ❖ The Central Government can remove a director under certain circumstances. ❖ The Company Law Tribunal may also order for removal of a director where an application has been made to it on charges of oppression and mismanagement of the company's affairs. 	3 mark

37.	<p>The important functions of business organization(Any 6)</p> <ol style="list-style-type: none"> 1. Production function 2. Marketing function 3. Finance function 4. Personnel function 5. Purchase function 6. Public relations function 7. Legal function 	3 mark
38.	<p>OPERATORS AT STOCK EXCHANGE: (Any 3)</p> <p>Members of stock exchange</p> <p>a) Jobbers</p> <ul style="list-style-type: none"> ❖ Jobbers are security merchants dealing in shares, debentures as independent operators. They buy and sell securities on their own behalf and try to earn through price changes. Jobbers cannot deal on behalf of public and are barred from taking commission. In India, they are called Taravaniwalas. <p>b) Brokers</p> <ul style="list-style-type: none"> ❖ Brokers are commission agents, who act as intermediaries between buyers and sellers of securities. They do not purchase or sell securities on their behalf. They bring together the buyers and sellers and help them in making a deal. Brokers charge a commission from both the parties for their service. Brokers are experts in estimating trends of price and can effectively advice their clients in getting a fruitful gain. <p>Non-members acting for members:</p> <p>a. Remiser</p> <ul style="list-style-type: none"> ❖ He acts as an agent of a member of a stock exchange. He obtains business for his principal ie., the member and gets a commission for that service. <p>b. Authorised clerk</p> <ul style="list-style-type: none"> ❖ The authorised clerks are mere employees of the members, appointed by the member of stock exchange. The authorised clerks transact business on behalf of their employers on the floor of the stock exchange. They are paid a salary, plus a commission. 	3 mark

39.	<p>MERITS OF CO - OPERATIVE SOCIETY: (EXPLAIN ANY THREE)</p> <ol style="list-style-type: none"> 1.Easy formation 2.Unlimited membership 3.Democratic management 4.Limited liability 5.Stability 6.Economy in management 7.Cheaper service 8.Tax concession 9.Social benefit 10. Saving habit 11.State patronage 12.Eleminating middlemen 13.Fall in prices 14.Employment 15.Government help 	3marks
40.	<p>Development of Personality:</p> <ul style="list-style-type: none"> ❖ Sole proprietorship facilitates the development of personal qualities like self-reliance, initiative and independent judgment. <p>Inexpensive management:</p> <ul style="list-style-type: none"> ❖ The soletrader is the owner, manager and controller of the business. He does not appoint specialists for various functions. He personally supervises various activities and can avoid wastage in the business. In this way managerial expenses are reduced to a large extent. <p>Equal Distribution of Economic Wealth:</p> <ul style="list-style-type: none"> ❖ Sole proprietorship provides an equal opportunity to every one for self development. It promotes decentralisation of business and helps to avoid concentration of economic wealth in a few hands. 	3marks
	SECTION -IV	7x5=35
41.	<p>(a) Multinational Companies (MNC's)</p> <ul style="list-style-type: none"> ❖ The term “multinational” consists of two different words, ‘multi’ and ‘national.’ The prefix ‘multi’ means ‘many’, while the word 	

<p>'national' refers to nations or countries. Therefore, a multinational company may be defined as a company that operates in several countries. Such a company has factories, branches and in more than one country. A multinational corporation is also known as a transnational corporation, namely, 'Global giant', or 'World enterprise' or 'international enterprise'. All forms of business organisation that transcend political frontiers may be called as multinational firms. In simple words, a multinational company is a company carrying on business in two or more countries.</p> <p>FEATURES</p> <ol style="list-style-type: none"> 1. A multinational company is operated in more than one country simultaneously. 2. It is generally very large in size. 3. Its purpose is to reduce transport costs and to make use of raw materials, labour, capital and market of foreign countries. 	<p>5mark</p>
<p style="text-align: center;">(or)</p> <p>(b) Statutory Meeting</p> <ul style="list-style-type: none"> ❖ The first meeting of the shareholders of a public limited company which is mandatory as per the Companies Act is known as statutory meeting. Every public limited company limited by shares and a guarantee company must compulsorily hold this meeting within 6 months and not earlier than one month from the date on which the company is entitled to commence business. This is held only once in the life time of the company. <p>Content of Statutory Report: (Any 5)</p> <ol style="list-style-type: none"> 1. Details of shares issued for cash and those issued for consideration other than cash 2. Total amount of cash received on account of shares and other sources 3. An abstract of receipts and payments upto a date within 7 days of the report 4. An account or an estimate of the preliminary expenses 5. Particulars of contracts for approval and proposed modifications 6. Details of underwriting contract not carried out and the reasons therefor. 7. Particulars of commission or brokerage paid or to be paid to directors on issue of shares or debentures 8. Particulars about directors, managing directors, manager and secretary 9. Particulars of calls due from directors, managing director, etc 	

<p>42.</p>	<p>(a) ONE-MAN CONTROL IS THE BEST IN THE WORLD:</p> <p>William R. Basset has said that one-man control is the best in the world only when the business is small indeed, to allow one actually to know and supervise everything in the business.</p> <p>Following are some of the points in favour of one man control</p> <ol style="list-style-type: none"> 1. Easy and quick formation. 2. Direct control. 3. Efforts and reward are linked. 4. Retaining business secrets. 5. Close touch with the consumers. 6. Enjoying all profits. 7. Inexpensive management. 8. No legal restrictions. 9. Direct contact with the employees. 10 Social desirability. <p>Limitations of one-man control</p> <p>Though there are many advantages of one-man control, still it suffers from many drawbacks. One man is unable to manage all the affairs by himself. Basset says “ The danger is always present that he thinks, he knows which really he does not know”. Following are some points unfavourable for one-man control.</p> <ol style="list-style-type: none"> 1. Limited capital. 2. Limited managerial ability. 3. Unlimited liability. 4. Absence of large scale business operation. 5. Risky decisions. 6. Uncertainty. <p>In Conclusion, one- man control is the best from the point of view of profitability and efficiently, provided that one man is able to manage everything efficiently.</p>	<p>5x1=5</p>
	<p style="text-align: center;">(or)</p> <p>(b) Dissolution by Agreement (Sec.40)</p> <ul style="list-style-type: none"> ❖ A partnership is created and dissolved by an agreement. A firm may be dissolved by an agreement either with the consent of all partners or in accordance with the contract among the partners. 	

2. Compulsory dissolution (Sec 41)

❖ A firm is compulsorily dissolved either by the agreement of all the partners or on the insolvency of all the partners except one. It may also be dissolved on the happening of an event which makes the object of the firm unlawful. Example, the passing of Prohibition Act, declaration of war with another country.

3. Dissolution on the happening of certain contingencies (Sec 42)

- a) Death of a partner.
- b) Expiry of the time, if partnership is for a fixed period.
- c) Completion of the venture for which the firm was formed.
- d) Adjudication of a partner as an insolvent.

4. Dissolution by notice of partnership-at-will (Sec 43)

❖ Where the partnership is at will, the firm may be dissolved by any partner by giving a notice in writing to all the other partners of his intention to dissolve the firm.

5. Dissolution through Court (Sec.44)

- (i) Partner's Insanity
- (ii) Permanent Incapacity
- (iii) Persistent Breach of Agreement
- (iv) Misconduct of a Partner
- (v) Transfer of Share
- (vi) Continuous Loss
- (vii) Just and equitable grounds

43. (a) Distinguish between Memorandum Association and Articles of Association. (ANY FIVE)

S. No	Bas is of Difference	Memorandum of Association	Article s of Association
1	Contents	It is the constitution of the company consisting of basic decisions	It is the bundle of internal rules and regulations of the company.
2	Relationships	It is the charter of the company indicating the nature of the company and its relationship with the outside world.	It defines the relationship between the members and the management of the company.

5 mark

3	Registration	It must be prepared and filed with the Registrar of Companies before the incorporation of the company.	It need not be filed for the purpose of registration. Table 'A' of the companies Act may be adopted if the company's liability is limited by shares.
4	Alteration	There are strict restrictions on its alteration. Some of the conditions contained in it cannot be altered except with the consent of the company law board	It can be altered by a special resolution to any extent. But it should not contradict with the Memorandum and the Companies Act
5	Violation	Every outsider is expected to know the contents of Memorandum before he enters into contract with the company.	Outsiders are free to assume that the company has fulfilled the formalities mentioned in the Articles.
6	Nature	It being the charter of the company is the supreme document.	It is subordinate to Memorandum.

(or)

(b) Distinguish between Private limited company and a Public limited company (Explain ANY FIVE)

1. Number of Members
2. Name
3. Articles of association
4. Minimum Subscription
5. Allotment of Shares
6. Directors
7. Statutory Meeting
8. Qualification shares
9. Quorum
10. Managerial Remuneration
11. Written consent
12. Commencement of Business
13. Issue of Prospectus
14. transfer of shares
15. Issue of subsequent shares

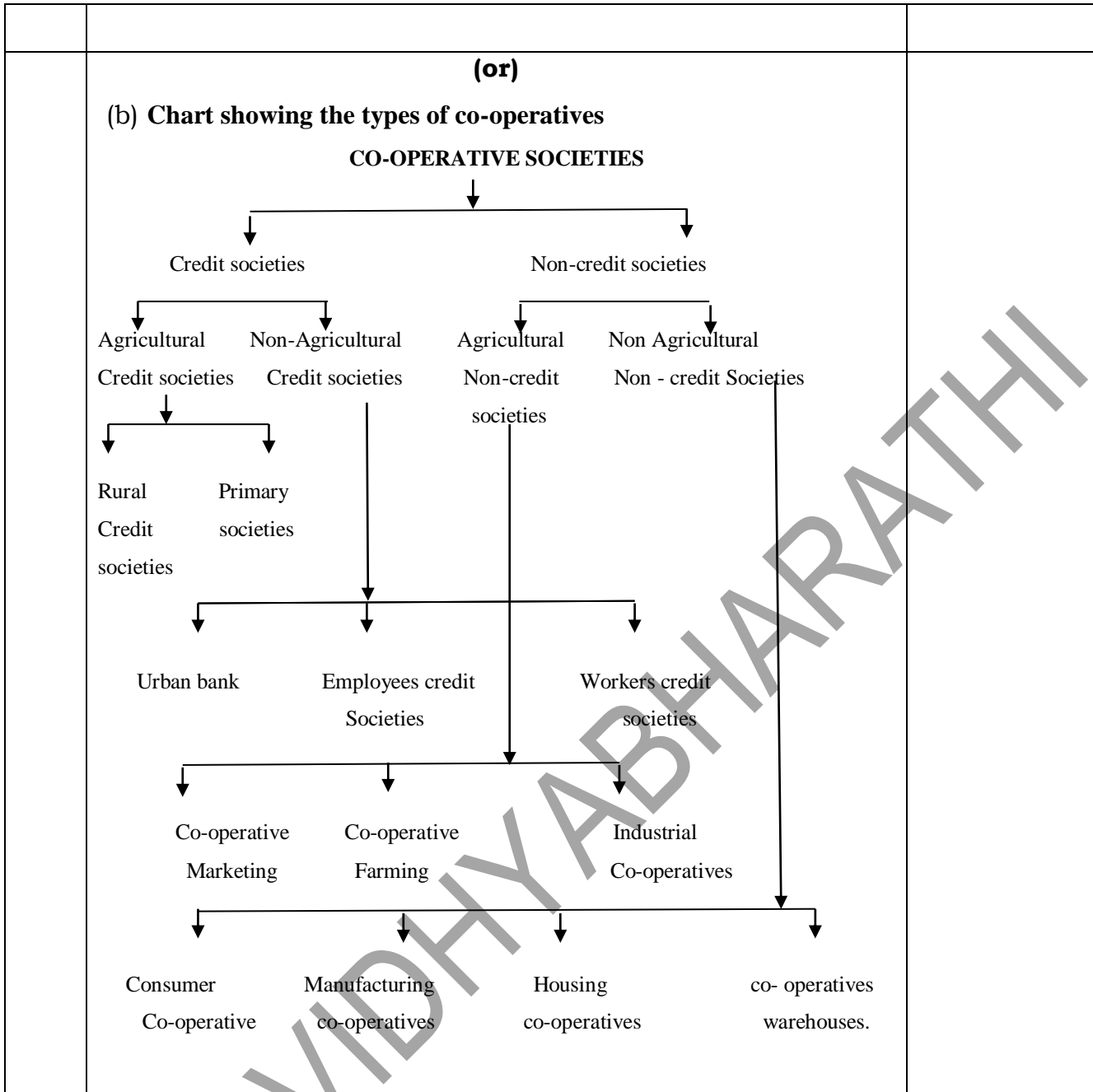
	<p>16. Issue of share warrants</p> <p>17. Retirement of directors</p>	
44.	<p>(a) Functions and Duties of a Company Secretary: (Any 5)</p> <ul style="list-style-type: none"> ❖ As a head of the Secretarial department, the secretary controls and supervises the activities of the department under his control. As a principal officer of the company, he signs documents requiring authentication. He performs all such acts as authorised by the Board. ❖ The secretary arranges for the Board meeting, in consultation with the chairman of the Board, fixes a day, place and time of the meeting and prepares agenda and issues the notices of meetings. ❖ He ensures that the actions of the Board do not infringe the provisions of the Companies Act and are not beyond the scope of Memorandum and Articles of association. ❖ The secretary functions in the best interest of the shareholders. He has to deal with the shareholders with tact. He performs all legal formalities connected with the conduct of general meetings of shareholders and records the proceedings of the minutes in the Minute book. He should ensure that all correspondence with shareholders is dealt with promptly and their queries answered carefully keeping in view the statutory provisions in this regard. ❖ His functions in relation to issue of allotment letters, share certificates, dividend warrants, share transfers, forfeiture of shares and a host of other things are also important. ❖ As a chief officer closely connected with the Board, he has to coordinate the work of different departments. ❖ He has to liaise between staff and directors, management and labour and other persons dealing with the company efficiently and effectively. ❖ He has to inspire confidence in their staff and win their cooperation. <p>Statutory Duties:</p> <ol style="list-style-type: none"> 1. To sign any document requiring authentication under any statute 2. To arrange for filing statement in lieu of prospectus 3. To deliver share or debenture certificate within 3 months of allotment or within 2 months of registration of transfer 	<p>5 marks</p>

<p>4. To file notice of situation of the registered office of the company</p> <p>5. To make a statutory declaration for getting the certificate of commencement of business and file it with the Registrar</p> <p>6. To sign the annual return</p> <p>7. To send notices of general meetings to every member of the company</p> <p>8. To prepare minutes of every general and Board meetings or meetings of every committee of the Board within 30 days.</p> <p>9. To maintain a number of statutory books such as register of members, register of debenture holders, etc.,</p> <p>General Duties:</p> <p>1. To discharge his duties most diligently and honestly and not to act beyond the scope of his authorities.</p> <p>2. To maintain secrecy of confidential matters</p>	
<p style="text-align: center;">(or)</p> <p>(b) Co-operative super markets:</p> <p>❖ This term is basically an Indian one, but it is derived from English expression “super market”. It refers to a type of large scale retailing. The articles of daily use are sold in different departments with out the help of sales persons. It is usually started as a joint stock company to earn profit. They are usually located only in cities and big towns. They must have large daily turnover to earn profit on their large capital outlay. In India the first supermarket was started in New Delhi</p> <p>Features:</p> <ol style="list-style-type: none"> 1. It is a form of large scale retailing. 2. There is a wide variety of goods made available. 3. The system of self-service is used. 4. There is no need for sales men in self services section. 5. The layout is in the form of different departments. 6. Sales are on cash basis. 7. Goods are sold after cleaning and packing. 8. No adulteration is practiced. 9. Correct weightments are used, so that consumers are not cheated by short weighing. 10. Scarce commodities are also supplied. 	

<p>45.</p>	<p>(a) Objectives of SEBI:</p> <ol style="list-style-type: none"> 1.The basic purpose of establishing SEBI is to protect the interest of the investors in securities. 2.To promote, develop and regulate the securities market and deal with the matters connected therewith or incidental thereto. When SEBI was established as a board in 1992, the task before it was to regulate the functions and conduct of intermediaries in the stock market, check insider trading and ensure fair play in takeover bids by a code of conduct. <p>Features of SEBI</p> <ol style="list-style-type: none"> 1.The SEBI shall be a body corporate established under SEBI ACT, with perpetual succession and a common seal. 2.The head office of the board shall be at Mumbai. SEBI can have branch offices at other places in India. 3.The board shall consist of the following members. <ol style="list-style-type: none"> (i) A chairman (ii)Two members from amongst the officials of the Ministries of the Central Government dealing with finance and law. (iii) One member from amongst the officials of the Reserve Bank of India. (iv) Two other members Chairman and other members of the Board are appointed by the central Government. 4. The general superintendence, direction and management of the SEBI shall vest in the Board of members. Those members exercise all powers and do all acts and things which may be exercised by the Board (SEBI) 5. Central Government shall have the power to remove a member or the chairman appointed to the Board 6. Central government shall provide finance and also make appropriate grants to the Board. 7. Central government has power to issue direction to the board on the policy matters and shall supercede the board in the event of default by the Board. 	<p>5 marks</p>
	<p style="text-align: center;">(or)</p> <p>(b) Annual General Meeting:</p> <ul style="list-style-type: none"> ❖ Every company is required to hold an annual general meeting in addition to any other meetings.The first annual general meeting must be held within a period of 18 months from the date of its incorporation. Subsequently the interval between two annual general meetings must not be more than 15 months. 	

	<p>The ordinary business at this meeting are:</p> <ol style="list-style-type: none"> i. Consideration and adoption of the annual accounts and the reports of the directors and auditors ii. Declaration of dividend iii. Appointment of directors in place of those retiring iv. Appointment of auditors and fixing remuneration to them <p>Board Meetings:</p> <ul style="list-style-type: none"> ❖ Meetings of directors are called Board meetings. They are very important because all important matters relating to the company and its policies are decided thereat. <p>Provisions regarding Board meetings:</p> <ul style="list-style-type: none"> ❖ The Board meeting must be held at least once in every threecalendar months. At least four such meetings should be held in every year. The notice of every Board meeting must be given in writing to every director who is present in India at his usual address. The quorum for the Board meeting shall be one third of the total strengthof the Board or two directors whichever is higher. <p>Extraordinary General Meeting</p> <ul style="list-style-type: none"> ❖ Any meeting other than the statutory meeting and the annual general meeting of the company is called extraordinary general meeting. It is convened for transacting any urgent or special business which cannot be postponed till the next annual general meeting. An extraordinary general meeting may be convened by the Board of directors on its own, or on the requisition of the members subject to certain conditions. 	
46	<p>(a) Formation of a co-operative society</p> <ul style="list-style-type: none"> ❖ A co-operative society must be registered under the Cooperative Societies Act, 1912 or any other state Co-operative law. ❖ A co-operative society can be started with a minimum of 25 persons, having a common interest. ❖ An application has to be submitted to the Registrar of Cooperative Societies expressing their intention. ❖ The application form is known as Memorandum of Association. ❖ It should contain the name and address of the society its objectives, the capital and liability of the members. ❖ A copy of the bye-laws stating the rules and regulations of the 	<p>5 marks</p>

	<p>society should be attached along with the application form.</p> <p>❖ The system of management, procedure with regard to meetings, resolutions, are stated in the bye-laws. The Registrar will, carefully scrutinise the documents in order to ensure that they are in accordance with the provisions of the Act. When he is fully satisfied he will enter the name of the society in his register and issue the Certificate of Registration. By issue of this certificate, the society comes into existence as a body corporate having a separate legal entity.</p>	
	<p style="text-align: center;">(or)</p> <p>(b) Stock exchange:</p> <p>❖ According to Hastings “stock exchange or securities market compares all the places where buyers and sellers of stock and bonds or their representatives, undertake transactions involving the sales of securities”.</p> <p>Functions of Stock Exchange</p> <ol style="list-style-type: none"> 1. Ready Market 2. Mobilisation of Savings 3. Evaluation of Securities 4. Capital Formation (Explain Any 5) 5. Proper Channalisation of Capital 6. Fair Dealings 7. Control of Corporate Sector 8. Barometer of Business Progress 	
47	<p>(a) Demerits of Departmental Organization:</p> <ol style="list-style-type: none"> 1. Excessive Government interference 2. Shortage of Competent Staff 3. Centralisation of Powers 4. Delay and Red-tapism 5. Inefficiency (Explain Any 5) 6. Political Changes 7. Tax Burden to Public 	5 marks



Department of Commerce

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