

COMMON HALF YEARLY EXAM DECEMBER – 2018.  
CLASS : XI - COMMERCE

**SECTION - I**

**CHOOSE THE CORRECT ANSWER**

**20 X 1 = 20**

|    |   |                             |    |   |   |
|----|---|-----------------------------|----|---|---|
| 1  | A | Making Profit               | 11 | C | Interest  |
| 2  | C | Processing Industry         | 12 | D | The USA   |
| 3  | B | Sole Trading Business       | 13 | B | Group Corpus Fund                               |
| 4  | A | Robert Owen                 | 14 | B | Two   |
| 5  | C | Headquarters                | 15 | B | Export Promotion Council                        |
| 6  | B | President                   | 16 | A | General Stores                                  |
| 7  | B | 1935                        | 17 | B | International Business                          |
| 8  | C | 2 Lakhs                     | 18 | C | Geneva  |
| 9  | B | Cost Minimization           | 19 | B | Urjit Patel                                     |
| 10 | C | Ethically upright behaviour | 20 | A | 1 <sup>st</sup> April to 31 <sup>st</sup> March |

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**SECTION – II**

**ANSWER ANY 7 QUESTIONS, IN WHICH QUESTION NO.21 IS COMPULSORY**

**7 X 2 = 14**

**21. Barter System – Meaning:**

- Barter System means goods were exchanged for goods prior to invention of money.

**22. Commerce – Definition**

“Commercial operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products” – Evelyn Thomas

**23. Chartered Company – Meaning:**

- Chartered companies are established by the King or Queen of a country.
- Powers and privileges of chartered company are specified in the charter.

**24. Central Bank – Meaning:**

- Every nation has one central bank.
- It is owned by the government of the country.
- The control over the entire banking system of a country is vested with this apex bank.
- In India, Reserve Bank is the Central Bank.

**25. Various Types of Warehouses:**

- **On the Basis of Ownership:**
  - 1) Private Warehouses
  - 2) Government Warehouses
  - 3) Public Warehouses
  - 4) Co-operative Warehouses
  - 5) Bonded Warehouses
  - 6) Institutional Warehouses
  - 7) Distribution Centre Warehouses
- **On the Basis of Commodities Stored:**
  - 1) General Warehouses
  - 2) Special Commodity Warehouses
  - 3) Cold Storage Refrigerated Warehouses
  - 4) Climate Controlled Warehouses

**26. Public Deposit – Meaning :**

- Public deposits are more beneficial than the fixed deposit in the bank, in the matter of yielding good return.
- An investor has to select the investment period very carefully.
- However the public deposits collected by companies and institutions do not offer any insurance benefits.
- It does not come under the control of RBI.

**27. Retailing – Meaning:**

- It refers to buying of goods and services in relative small goods and services in relatively small quantity directly to the ultimate consumers.

**28. International Business – Meaning:**

- International Business denotes all those business activities which take place beyond the geographical of the country.
- It involves not only the international movement, personnel, technology and intellectual property like patents, trade mark, know-how and copy rights.

**29. Indent – Meaning:**

- An indent is an order placed by an importer with an exporter for the supply of certain goods.
- It contains full details regarding the goods to be imported, the terms and conditions regarding price, shipment, delivery, the method of payment etc.

**30. How I use Credit Card:**

- With this card, I can purchase goods and services on credit at any shop in India.
- If the dues are paid within the stipulated time no interest is charged.
- The credit limit is fixed by the issuing bank based on the income of the cardholder.

**SECTION – III**

**ANSWER ANY 7 QUESTIONS, IN WHICH QUESTION NO.31 IS COMPULSORY**

**7 X 3 = 21**

**31. The ports developed by Padia Kingdom:**

- Trade and commerce was common to Pandiya Dynasty.
- Information collected from the diaries of foreign travelers, voyagers, mariners and adventures of the ancient world highlighted the prosperity of trade in Pandia Country.
- Trade in copper, cloth, salt, flower, sandal wood, fish, paddy, cereals, pearls etc., flourished during their period.
- Besides pandiyas expanded infrastructure for shipping such as ports, light house, warehouse, etc.,
- Pandiyas developed various ports like Korkai, Saliyur, Kayal, Marunguar Pattinam and Kumari.

**32. The Characteristics of Sole Proprietor:**

**1) Unlimited Liability**

When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.

**2) No Separate Entity**

The sole trading concern comes to an end with death, disability, insanity and insolvency of the individual.

**3) Maintenance of Secrecy**

Since he/she manages all the affairs of the business, the secrecy can be maintained easily.

**33. Characteristics of Commerce:**

**1) Exchange of Goods and Services:**

- Commerce involves an exchange of goods and services for profit.
- Goods may be produced for the purpose of resale to the consumers.

**2) Creation of Utility:**

- Commerce created form, place and time utility in goods.

**3) Regularity of Transaction:**

- The transaction should be regular.
- No isolated transaction will be a part of commerce.

**34. Objectives of Regional Rural Bank:**

- The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank.
- Provide finance to rural artisans, small entrepreneurs and farmers and try to avoid their dependency on money lenders.
- Their objective is to develop rural economy and play supplementary role to cooperative societies.
- As on 31.3.2016, there were 56 RRBs in India with 14,494 branches.
- They are regulated and supervised by NABARD.
- Examples: Pallavan Grama Bank – Salem, Tamil Nadu.

Pandiyan Grama Bank – Thirumangalam, Madurai District

Vallalar Grama Bank – Chidambaram, Cuddalore District

**35. Benefits derived by employees of a socially responsible business enterprise:**

- Timely and regular payment of wages and salaries.
- Proper working conditions and welfare amenities.

- Opportunity for better career prospects.
- Better living conditions like housing, transport, canteen, crèches etc.
- Timely training and development.

**36. Features of Self Help Group:**

- The motto of every group members should be “saving first – credit latter”
- The groups need not be registered.
- Each group should have only one member from one single family.
- A group is to be formed with only men or only with women.

**37. Two Examples of Entrepot Trade :**

- 1) Indian company imports **crude oil** from Iran and exports it is **petroleum** after refining it in India to Nepal.
- 2) Indian company imports **rubber** from Thailand and exports it to Japan then it is called **Entrepot trade** for India.

**38. Bill of Lading – Meaning:**

- Bill of lading is a document containing the terms and conditions of the contract of carriage.
- It is issued by the shipping company and signed by the captain of the ship.
- It acknowledge the receipt of the goods described in it on board the ship.
- It is also serves as an official receipt of goods.
- It is a document of title of goods.

**39. Heads of Income:**

- 1) Income from ‘Salaries’ [Section 15-17];
- 2) Income from ‘House Property’ [Sections 22-27];
- 3) Income from ‘Profits and Gains of Business or Profession’ [Sections 28- 44];
- 4) Income from ‘Capital Gains’ [Sections 45-55]; and
- 5) Income from ‘Other Sources’ [Sections 56-59].

**40. Company:**

- 1) Partnership with limitations of its capital and managerial ability and with the added risk of unlimited liability has been found unsuitable for running a large scale industry in modern times.
- 2) Therefore joint stock company form of organisation came into existence.
- 3) The joint stock companies in India are governed by The Companies Act 2013.
- 4) The new Act has been divided into 29 chapters with 470 sections.
- 5) The Act came into force on 12<sup>th</sup> September 2013 with few changes like earlier private companies maximum number of members was 50 not it will be 200.
- 6) A new class of company is of “One Person Company” is included in this Act that will be a private limited company.

**SECTION – IV**

**ANSWER ALL THE QUESTIONS**

**7 X 5 = 35**

41) **a) Hindrances of business:**

**i. Hindrance of place**

- Production takes place in one centre and consumers are spread throughout the country and world.
- Rail, air, sea and land transports bring the products to the place of consumer.

**ii. Hindrance of time**

- Consumers want products whenever they have money, time and willingness to buy.
- Goods are produced in anticipation of such different regional centers.
- So that they can be distributed at the right time to the consumers.

**iii. Hindrance of risk of loss**

- Fire, theft, floods and accidents may bring huge loss to the business.
- Insurance companies serve to cover the risk of such losses.

**iv. Hindrance of knowledge**

- Advertising and communication help in announcing the arrival of new products and their uses to the people.

**v. Hindrance of finance**

- Banks and other financial institutions provide funds and help in transfer of funds to enable the functioning of business smoothly.

41) **b) Comparision of Industry, Commerce and Trade:**

| Industry | Commerce | Trade |
|----------|----------|-------|
|----------|----------|-------|

|   |   |  |
|---|---|--|
| <b>Meaning :</b> Extraction, reproduction, conversion, processing and construction of useful products | Activities involving distribution of goods and services | Purchase and sale of goods and service |
| <b>Capital:</b> Large Capital   | Medium Capital  | Small Capital                          |
| <b>Risk:</b> High Risk  | Low Risk  | No Risk                                |
| <b>Side:</b> It represents Supply   | It represents Demand                                    | It represents both supply and demand   |
| <b>Utility Creation:</b> It creates form utility  | It creates place utility                                | It creates possession utility          |

42) a) **Types of Dissolution of Partnership:**

- a) Without the order of the court and
- b) By order of the court.

a) **Without the order of the court:**

**i. By agreement or mutual consent:**

- A firm may be dissolved when all the partners agree to close the affairs of the firm.
- Just as a partnership is created by contract, it can also be terminated by contract.

**ii. By insolvency of all the partners but one:**

- If any of the partners adjudged an insolvent it is necessary to dissolve the firm.

**iii. When the objective becomes illegal:**

- When the business carried on by the partnership becomes illegal, the partnership firm is automatically dissolved.

**iv. By notice of dissolution:**

- In the case of partnership at will when any partner gives in writing to all the other partners indicating his intention to dissolve the firm, the firm will be dissolved.

**b). Dissolution through court:**

The court may order dissolution of a firm at a suit of a partner in any of the following circumstances.

- ✓ When a partner becomes insane
- ✓ Permanent incapacity of any partner
- ✓ Misconduct of any partner
- ✓ Transfer of interest to third person
- ✓ Continued loss
- ✓ When the court finds that it is just and equitable to dissolve the firm.

42) b) **Meaning of Prospectus:**

**Meaning:**

- ✓ According to Section 2(36) of the Companies Act, any document inviting the public to buy its shares or debentures comes under the definition of prospectus.
- ✓ It also applies to advertisements inviting deposits from the public.

**Contents:**

- ❖ The name, addresses and occupation of directors and managing directors.
- ❖ The number and classes of shares and debentures issued.
- ❖ The qualification share of directors and the interest of directors for the promotion of company.
- ❖ Particulars about the directors, secretaries and the treasures and their remuneration.
- ❖ The amount for the minimum subscription.
- ❖ If the company carrying on business, the length of time of such businesses.
- ❖ The estimated amount of preliminary expenses.
- ❖ Name and address of the auditors, bankers and solicitors of the company.

43) a) **Advantages of Transport:**

- 1) **It increases the efficiency of production**

- The object of production is consumption.
  - Effective transport system creates time and place utilities and thereby influences the demand for goods and the value of the goods.
- 2) **It stimulates wants by increasing quantity and variety of consumer goods**
- It helps in getting commodities, which cannot be had or produced in a region due to unsuitable natural conditions.
  - Without adequate and effective transport goods cannot be had either in the quantities or varieties required in a complex economy.
- 3) **It develops and expands the market**  
The primary function of transport is to enable the physical distribution of goods at global level. It provides the chance of expanding national and international market.
- 4) **It helps in price stability by distributing goods all over the country**  
Transport helps to reduce variations in the price of goods not only between regions of a country but also to a considerable extent between nations. It thus imparts place and time utilities to goods.
- 5) **It encourages innovations in product production and designing**
- It provides plenty of opportunities to the producers to produce their product in innovative and creative way, to catch up the wider market and reap more profit.

43) b) **Principles of Insurance:**

**i). Utmost Good Faith**

- According to this principle, both insurer and insured should enter into contract in good faith.
- Insured should provide all the information that impacts the subject matter.
- Insurer should provide all the details regarding insurance contract.
- Both the insurer and the insured should display good faith towards each other in regard to the contract

**ii). Insurable Interest**

- The insured must have an insurable interest in the subject matter of insurance.
- Insurable interest means some pecuniary interest in the subject matter of the insurance contract.
- The insured must have an interest in the preservation of the thing or life insured.
- So that they will suffer financially on the happening of the event against which they are insured.

**iii). Indemnity**

- Indemnity means security or compensation against loss or damages.
- In insurance, the insured would be compensated with the amount equivalent to the actual loss and not the amount exceeding the loss.
- This principle ensures that the insured does not make any profit out of the insurance.
- This principle of indemnity is applicable to property insurance alone.

**iv). Causa Proxima**

- The word 'Causa proxima' means 'nearest cause'.
- According to this principle, when the loss is the result of two or more causes, the proximate cause, i.e. the direct.
- The direct, the most dominant and most effective cause of loss should be taken into consideration.
- The insurance company is not liable for the remote cause.

**v). Contribution**

- The same subject matter may be insured with more than one insurer then it is known as 'Double Insurance'.
- In such a case, the insurance claim to be paid to the insured must be shared or contributed by all insurers in proportion to the sum assured by each one of them.
- It may be noted that in case of multiple insurance, the insured can claim the loss from any of the insurers subject to the condition that the insured cannot recover more than the amount of actual loss from all taken together.

44) a) **Features of Internal Trade:**

- ❖ The buying and selling of goods takes place within the boundaries of the same country.
- ❖ Payment for goods and services is made in the currency of the home country.
- ❖ It involves transactions between the producers, consumers and the middlemen.
- ❖ In home trade the laws prevailing in that country only have to be followed.
- ❖ The aim of home trade is to provide the goods and services economically.
- ❖ The goods must be a part of domestic production.

44) b) **(a) Short Notes on Owner's Fund and (b) Borrowed Funds:**

**a). Owner's Fund**

- ❖ Owner's funds mean funds which are provided by the owner of the enterprises who may be an individual, or partners or shareholders of a company.
- ❖ The profits reinvested in the business come under owner's funds.
- ❖ These funds are not required to be refunded during the life time of business enterprise.
- ❖ It provides the owner the right to control the management of the enterprise.

**b). Borrowed Funds**

- ❖ The term 'borrowed funds' denotes the funds raised through loans or borrowings.
- ❖ For example debentures, loans from banks and financial institutions, public deposits, trade credit, lease financing, commercial papers, factoring, etc. represent borrowed funds.
- ❖ These borrowed sources of funds provide specific period before which the fund is to be returned.
- ❖ Borrower is under legal obligation to pay interest at given rate at regular intervals to the lender.
- ❖ Generally borrowed funds are obtained on the security of certain assets like bonds, land, building, stock, vehicles, machinery, documents of title to the goods, and the like.

45) a) **Functions of Wholesalers:**

**a. Collection of Goods:**

- Wholesaler collects the goods from manufacturers or producers in bulk.

**b. Storage of Goods:**

- Wholesaler collects and stores them safely in warehouses, till they are sold out.
- Perishable goods like fruits, vegetables, etc. are stored in cold storage facility.

**c. Distribution:**

- Wholesaler sells goods to different retailers. Thus he performs the function of distribution.

**d. Financing:**

- Wholesalers provide financial support to producers and manufacturers by providing money in advance to them.
- He also sells goods to retailer on credit.

**e. Risk Taking:**

- Wholesaler buys finished goods from the producer and keeps them in the warehouses till the time.
- They are sold and assumes the risk arising from price, spoilage of goods, and changes in demand.

45) b) **Difference between Internal and International Trade:**

| S.No | Basis                        | Internal Trade  | International Trade   |
|------|------------------------------|---|---|
| 01   | Meaning                      | It refers to business transactions transacted within the geographical boundaries of a country | It refers to the business transactions transacted in beyond the boundaries of a country |
| 02   | Participants in the business | With in the country people  | Outside of the country people   |
| 03   | Mode of transport            | It is mainly transported by roadways and railways.  | It is mainly transported by water and airways   |
| 04   | Currency used                | Local currency of a country   | Foreign currencies  |
| 05   | Risk Exposure                | The risks are relatively less   | This risks are high   |

46) a) **Document used in Export Trade:**

i). Documents Related to Goods:

- a) Indent
- b) Certificate of origin
- c) Certificate of Inspection

ii). Documents Related to Shipment

- a) Mate's Receipt
- b) Shipping Bill
- c) Shipping Order
- d) Bill of Lading
- e) Marine Insurance Policy
- f) Consumer Invoice

iii). Documents Related to Payment

- a) Letter of Credit
- b) Commercial Invoice

- c) Bills of Exchange
- d) Bank Certificate Payment

46) b) **Structure of Capital Account:**

Capital account consists of three components :

- 1) Private Capital
- 2) Banking Capital
- 3) Official Capital

**1). Private Capital**

Private capital consists of foreign investments, long term loan and foreign currency deposits.

**ii). Banking Capital**

Banking capital includes movement into external financial asset and liabilities commercial and cooperative banks authorized to dealing in foreign exchange.

**iii). Official Capital**

It includes RBI's holdings of foreign currency and special drawing rights (SDR) held by the Government.

47) a) **Structure of Capital Account:**

Capital padasalai account consists of three components

- 1) Private Capital
- 2) Banking Capital
- 3) Official Capital