

First Year Higher Secondary Secondary Model Examination, JUNE 2022

Subject-Business Studies Code-ME-648-Unofficial

Q.No	Sub Q.No	Answer key/Value Points	Score	Total
Answer any 8 questions from 1 to 10. Each carries 1 Score (8 X 1 = 8)				
1.		(b) Business	1	8
2.		(d) Co-operative Society	1	
3.		(b) Public Corporation	1	
4		(c) Bonded warehouse	1	
5.		(d) Discretionary Responsibility	1	
6.		(c) Prospectus	1	
7.		(a) Retained Earnings	1	
8.		(d) All of these	1	
9.		(c) Mail order Business	1	
10		(d) All of these		
Answer any 4 questions from 11-17. Each carries 2 scores (4 X 2 = 8)				
11		<p>Characteristics of Business (Any 2)</p> <p>1. An Economic Activity- Business activities are undertaken by people with the objective of earning profit. So it is considered as an economic activity.</p> <p>2. Regularity in dealing- Business involves dealing in goods and services on a regular basis. One single transaction never constitutes a business.</p> <p>3. Profit Motive- Profit Motive is an important distinguishing feature of business. It must earn profit for its survival, growth and expansion.</p> <p>4. Element of risk- Risk cannot be eliminated from business. Risk may be in the form of natural calamities, changes in consumer tastes, competition, fire etc.</p>	2	08
12		<p>Government company : A government company is a company in which not less than 51% of the paid up share capital is held by the central government or state government or jointly by both. In India, the largest number of public enterprises comes under this category.</p> <p>Eg. HMT, ITI, STC, Hindustan Aeronautics Limited (HAL), IOC, Hindustan Cables, Union Bank, Canara Bank</p>	2	
13.		<p>Benefits or Advantages of E-Banking (Any 2)</p> <p>1. Continuous service E-banking provides 24 hours, 365 days a year services to the customer of the bank.</p> <p>2. Everywhere service Through e-banking, permitted services of the bank can be availed of from office, home or even while travelling with the help of smart phone.</p>	2	

	<p>3. Save time and energy Customers can perform most of their banking function from home itself.</p> <p>4. Reduction of load on branches Today customers can perform most of their banking functions through internet or ATM. This will reduce the work load of local banks.</p> <p>5. Unlimited network to the bank Any computer or smart phone with net connection can satisfy various banking functions of customers. E-banking provides unlimited Network to banks and is not limited to number of branches.</p> <p>6. Less operating cost E-banking helps the bank to reduce its number of employees. It will reduce their operating cost.</p>		
14	<p>Business to Business (B2B) Here, both the parties involved in e-commerce transactions are business firms. So it is called Business to Business (B2B) commerce. It is the exchange of product, services or information between businesses firms with the help of internet. Around 80% of e-commerce transactions are of this type.</p> <p>Examples - B2B transactions (Any 1)</p> <ul style="list-style-type: none"> - Placing order with suppliers - Transactions between business firms like trade negotiations. - Transfer of goods from one branch to another - Making payments to suppliers - Receiving and sending documents like purchase orders or invoices. 	2	
15	<p>Documents required in the formation of Company</p> <ol style="list-style-type: none"> a) The Memorandum of Association b) The Articles of Association c) The Prospectus / Statement in lieu of prospectus. d) A list of directors - their full address and occupation. e) A written consent by directors stating that they have agreed to act as directors. f) A statement of authorized capital g) A statutory declaration by a Chartered Accountant or an advocate of Supreme Court or High Court that all provisions of the Companies Act have been complied with. 	2	
16	<p>Working Capital (Short-term Finance) Requirements Short term finance/working capital is raised for a period of less than one year. It is required to meet the day to day needs of the business. It is the amount required for investment in current assets like stock of</p>	2	

		row materials, debtors, bills receivable also funds required to meet day to day expenses such as, wages, salaries, rent etc. The current assets can be converted in to cash within a short period.		
17		<p>Service of retailers to Manufactures (Any 2)</p> <p>1) Ready market Retailers provide a ready market for goods manufactures. They provide a sales outlet for different types of products.</p> <p>2) Popularise new products Retailers popularize new products through wind display, personal selling, exhibition etc.</p> <p>3) Providing market Information Retailers, being in close touch with the ultimate consumer, is in a position to give reliable market information to the manufacturer.</p> <p>4) Sales promotion Sales promotion measures like free gifts coupons etc can be effectively implemental with the help of retailers</p>	2	
Answer any 4 questions from 18-23.Each carries 3 score (4X 3=12)				
18		<p>1.Departmental undertakings A departmental undertaking is established either as a separate full-fledged ministry of the Government. They have no separate legal existence apart from government. They are managed by civil servants who are government employees. Eg:Indian Railway, Postage and Telegraph (P&T), All India Radio, Doordarshan, Defence Undertakings, Kolar Gold Mines, Chittaranjan, Locomotives, Integral Coach Factory etc.</p> <p>2. Statutory corporations Statutory corporations or public corporation is a body corporate set up under a special Act of the parliament or state legislature. It is a separate entity for legal purposes. A public corporation is managed by a board of directors, appointed by the government. Eg. LIC, IFCI, SBI, ONGC, UTI, Air India, Central Warehousing Corporation, KSRTC, KSIDC, RBI</p> <p>3. Government Company A government company is a company in which not less than 51% of the paid up share capital is held by the central government or state government or jointly by both. Eg.HMT, ITI, STC, Hindustan Aeronautics Limited (HAL), IOC, Hindustan Cables,Canara Bank</p>	1 1 1	12
19		<p>Causes of Environmental Pollution (Any 3)</p> <p>Causes Air Pollution: Air pollution is mainly due to carbon monoxide emitted by automobiles, smoke and other chemicals from manufacturing plants,etc.</p> <p>Causes of Water pollution: Water pollution is mainly due to Improper sanitation system, Dumping of waste by various industrial units into the rivers and canals, drainage</p>	3	

	<p>of toxic substances like chemicals and fertilizers used in cultivation into streams and rivers.</p> <p>Causes of Land Pollution: Water pollution is mainly due to excessive use of fertilizers, chemicals and pesticides in cultivation, disposal of solid waste of industries mines and quarries, excessive use of plastic bugs, which are non-biodegradable</p> <p>Causes of Noise Pollution: The sponsors of outdoor noise are machines and transportation systems, motor vehicles, aircraft, and trains</p>		
20	<p>a) Lease Financing: Leasing is an arrangement of acquiring the right to use an equipment or asset without actually owing the same. The owner of the assets is called the lessor and the user is the lessee. The lessee has to pay a specified amount called lease rent to the lessor for the use of the asset. Normally there is an agreement between the lessor and lessee. This agreement includes provisions about period, cancellation, lease rent, purchase option, maintains etc.</p> <p>b) Factoring It refers to the practice of raising funds by selling a firm's account receivable to another company or agency. Debt collection is a serious problem for firms. Some business organisations entrusted debt collection activity to specialized agencies called factoring organizations. Following are some of the services provided by factoring agencies:</p> <ol style="list-style-type: none"> Discounting bills of exchange. Factors collect client's debts and provide full credit protection against bad debts. Factors also provide information about credit worthiness of prospective clients. 	3	
21	<p>Itinerant Traders (Any 2) These traders are retailers without fixed shops. Itinerants include hawkers, peddlers, cheap jacks, and street and market traders.</p> <p>(a) Hawkers and peddlers Hawkers carry goods on vehicles while peddlers on their backs or heads moving from place to place to sell their merchandise/products at the door steps of the consumers. They generally deal in cheap, non standard commodities such as fruits, vegetables, toys, pen, ice creams, utensils etc.</p> <p>(b) Market traders They are small retailers who open their shops at different places on fixed dates, such as every Saturday or Sunday. These retailers move from one market to other market. These traders may be dealing in one particular line of merchandise, say readymade garments, toys, crockery etc.</p>	3	

	<p>(c) Street traders Street traders are small retailers who are commonly found at places where huge floating population gathers. They sell consumer goods of daily use near bus stand, railway station, parks etc.. They sell goods like books, pens, readymade garments, magazines etc. They are different from market traders in the sense that they never change their place of business so frequently.</p> <p>(d) Cheap Jacks They do business in temporarily rented shops or sheds and move to other localities as opportunities arises. These traders do not stick to a particular place of business. But change of place is not as frequent as in case of hawkers, peddlers or market traders. They deal in cheap consumer items the like fruits, vegetables, sweets, etc. Some of them move from exhibition to exhibition festivals to festivals etc.</p>		
22	<p>Disadvantages of Mail-order business (Any 3)</p> <p>1.Heavy expenses on advertising: - Mail order business depends on advertisements. They are required to spend a large amount on advertisement as compared to other forms of retail business.</p> <p>2.Absence of personal contact: - There are no direct contacts with the buyer and seller.</p> <p>3.No Personal inspection: - Buyer can't inspects the goods before buying it.</p> <p>4.Not suitable for all items: - Only limited type of goods can be sold on this basis.</p> <p>5.Delay in delivery: - Goods are not available in due time.</p> <p>6.Unsuitable to illiterate class: - Mail order business is based on advertisement. It is not suitable for illiterate class as they are unable to know about the product.</p>	3	
23	<p>Benefits/advantages of International Business: (Any 3)</p> <p><u>Benefits to the nation</u></p> <p>1.Price Stabilization External trade can be used as an instrument for stabilizing price.</p> <p>2.Improves quality of products In order to compete with foreign goods, domestic firms try to improve the quality of their products.</p> <p>3.Promotes Co-operation among nations External trade helps a country to establish trade relation with other countries. The establishment of trade relations among nations reduces conflict and promote co-operation among them.</p> <p>4.Optimum utilization of resources External trade facilitates international division of labour and specialization. Different countries are gifted by nature with different resources. Through external trade every country can specialize in the production of those products which it can manufacture most economically.</p>	3	

	<p>5.Earning of foreign exchange The international business helps in earning foreign exchange by exporting goods and services. This foreign exchange can be utilized for the import of essential commodities.</p> <p>6.Generate Employment opportunities External trade helps to increase production. It accelerates the economic growth and employment opportunities of a country.</p> <p><u>Benefits to Firms</u></p> <p>1.Increased Capacity Utilization It helps the firm in using their surplus production capacities .Large scale production helps to reduce the cost of production.</p> <p>2.Prospects for growth It helps firms in improving their growth prospects by creating demands for their products in foreign countries.</p> <p>3.Enhances competition External trade enhances competition, which compels the domestic firms to improve technology of production, production process and quality of products.</p>		
Answer any 4 questions from 24 to 29 .Each carries 4 scores (4 X 4=16)			
24	<p>Business Risk The term ‘business risks’ refers to the possibility of inadequate profits or even losses due to uncertainties. In a business, risk is unavoidable.</p> <p>Causes Business Risks (Any 3)</p> <p>1. Natural causes Natural calamities are unpredictable and are beyond the control of a businessman. Flood, earthquake, heavy rains, lightning famine, storm etc. are examples of natural risk.</p> <p>2. Economic Causes Economic causes include uncertainties relating to demand for goods, competition, price, collection of dues from customers, change of technology, etc.</p> <p>3. Human Causes Human causes include unexpected events like dishonesty, carelessness, or negligence of employees, strikes, riots, stoppage of work due to power failure, management inefficiency etc.</p> <p>4.Government policy Change in Government policy, changes in import export policy, licensing policy, tax structure etc. may cause heavy losses to a business man.</p> <p>5.Physical Cusses Physical Cusses include loss due to mechanical defects, accidents from defective machinery etc.</p>	4	
25	<p>Active Partner: A partner who contributes capital and takes active interest in the day-to-day affairs of the firm is called active partner. He manages and controls the business and his liability is unlimited.</p>	4	

	<p>Nominal or Ostensible Partner</p> <p>A nominal partner is one, who neither contributes capital nor takes any active part in the management of the business. He only knowingly allows himself to be represented as a-partner. His reputation may be benefited to the firm. He is liable to third parties for all debts of the firm. He is also called a quasi-partner.</p>		
26.	<p><u>Functions of commercial banks (Any 2)</u></p> <p>A. Primary Functions</p> <p>B. Secondary Functions</p> <p>Primary functions of commercial banks can be classified into two:</p> <p>1. Accepting Deposits 2. Lending money</p> <p>1. Accepting Deposits</p> <p>This is one of the primary functions of commercial banks. The main purpose of banks is to promote savings and accept deposits from the customers. Banks offer different deposit schemes to satisfy the needs of its customers. The common types of deposits schemes offered by banks are : Saving account deposits (b) Current account deposits (c) recurring deposits (d) Fixed deposits account.</p> <p>2. Lending Money</p> <p>Second major function of commercial bank is to provide loans and advances out of the money received through various types of deposits. The bank advances loans at higher rates of interest than what it allows on deposits. The difference between the two rates of interest is the profit of the bank. These advances can be made in the form of overdrafts, cash credits, discounting trade bills, term loans and other miscellaneous advances.</p> <p>B. SECONDARY OR SUBSIDIARY FUNCTIONS</p> <p>Secondary functions of commercial banks are classified into agency services and general utility services.</p> <p>1. Agency Services</p> <p>a) Collection of cheques</p> <p>Bank renders a very important service to their customers by collecting their cheques drawn on other banks. Bank collects the amount of these cheques and credits money into customers account.</p> <p>b) Remittance of money</p> <p>Another important function of commercial is of providing the facility of fund transfer from one place to another. It may be in the form of RTGS, NEFT, online fund transfer, demand draft etc</p> <p>2. General Utility Services.</p> <p>a) Payment of interest insurance premium, telephone bill etc. on behalf of customers</p> <p>b) Collection of interest, dividends etc</p> <p>The bank may be instructed to collect interest on investment and dividend on shares etc on behalf of customers and credit it in customers account.</p>	4	

		c) Providing locker facilities for the safe custody of gold, and other valuables. d) Banks underwrites shares and debentures at the time of issue.		
27		<p>Promoter is a person who performs the work of promotion and brings a company into existence.</p> <p>Functions of Promoters or Stages in Promotion (Any 3)</p> <p>1.Discovery of business idea The promotion stage begins with the discovery of an idea to set up a business. There may be several ideas in his mind and he has to decide which is the most feasible and profitable one.</p> <p>2.Feasibility study After analyzing all the concepts related to the idea discovered, the promoter starts doing detailed investigation to give practical shape to the idea. He does detailed investigation regarding cost, profitability, production process, demand of the product etc. Feasibility study includes technical feasibility, economic feasibility, financial feasibility etc.</p> <p>3.Appointment of bankers, brokers, solicitors and under writers The promoter appoints the brokers and underwriters to ensure the availability of capital by sale of a company's securities and solicitors are appointed to deal with then legal matters of the company.</p> <p>4. Assembling the factors of production Once satisfied with practicability and profitability of the proposal, the promoter assembles the factors of production like land, labour, capital and managerial personnel.</p> <p>5. Preparation of Preliminary Documents The promoter takes up the steps to prepare necessary documents of the company which have to be submits to the Registrar at the time of incorporation.</p> <p>6.Entering into preliminary Contracts The promoters enter into contracts with different parties before registration of the company. After registration the company approves these contracts.</p>	4	
28		<p>Merits (Advantages) of Equity shares (Any 4)</p> <p>1)Source of fixed capital It is the best source of long term finance. A company has no obligation to repay its equity share capital except at the time of winding up of the company subject to availability of funds.</p> <p>2) No obligation to pay dividend Payment of dividend to the equity shareholders is not compulsory. Therefore, there is no burden on the company in this respect.</p> <p>3) No charge on assets Funds can be raised through equity share issue without creating any charge on the asset of the company .So companies assets can be used for raising additional loan.</p>	4	

	<p>4) Voting right Equity shareholders enjoy full voting right in the management of the company.</p> <p>5) High return If the company is successful and the level of profit is high, equity share holders enjoy very high return.</p> <p>6) It create confidence among creditors Equity capital provides credit worthiness to the company and confidence to prospective loan providers. Equity share capital act as a cushion to creditors.</p> <p>7) Real Owners Equity shareholders are the real owners of the company who have the voting rights in all matters.</p>		
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29	<table border="1"> <thead> <tr> <th style="background-color: yellow;">Domestic business</th> <th style="background-color: yellow;">International business</th> </tr> </thead> <tbody> <tr> <td>Exchange of goods and services between the individuals of the same nation</td> <td>Exchange of goods and services between individuals of different nations</td> </tr> <tr> <td>Subject to the regulations and laws of only one country</td> <td>Subject to regulations and laws of different countries</td> </tr> <tr> <td>The cost of transportation is much less</td> <td>The cost of transportation is higher</td> </tr> <tr> <td>Insurance is not compulsory</td> <td>Insurance is compulsory</td> </tr> <tr> <td>Accounts are settled in national currency</td> <td>Accounts are settled in foreign currency</td> </tr> <tr> <td>There are only limited formalities</td> <td>There are many formalities</td> </tr> <tr> <td>Goods are subject to less risk</td> <td>Goods are subject to high risk</td> </tr> <tr> <td>Goods are generally transported by rail or road</td> <td>Goods are generally transported by ship</td> </tr> <tr> <td>No foreign exchange is required</td> <td>Foreign exchange is required</td> </tr> <tr> <td>Currency of domestic country is used</td> <td>International business use currencies of more than one country</td> </tr> </tbody> </table>	Domestic business	International business	Exchange of goods and services between the individuals of the same nation	Exchange of goods and services between individuals of different nations	Subject to the regulations and laws of only one country	Subject to regulations and laws of different countries	The cost of transportation is much less	The cost of transportation is higher	Insurance is not compulsory	Insurance is compulsory	Accounts are settled in national currency	Accounts are settled in foreign currency	There are only limited formalities	There are many formalities	Goods are subject to less risk	Goods are subject to high risk	Goods are generally transported by rail or road	Goods are generally transported by ship	No foreign exchange is required	Foreign exchange is required	Currency of domestic country is used	International business use currencies of more than one country	4	
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Answer any 4 questions from 30 to 35 .Each carries 5 scores (4 X 5 =20)

30	<p>Differences between Private Company and Public Company (Any 5)</p> <table border="1"> <thead> <tr> <th>Point Of difference</th> <th>Private Company</th> <th>Public Company</th> </tr> </thead> <tbody> <tr> <td>Minimum Number of members</td> <td>2</td> <td>7</td> </tr> <tr> <td>Maximum Number of members</td> <td>200</td> <td>Unlimited</td> </tr> <tr> <td>Minimum paid up share capital</td> <td>1 Lakh</td> <td>5 Lakh</td> </tr> <tr> <td>Minimum Number of directors</td> <td>2</td> <td>3</td> </tr> </tbody> </table>	Point Of difference	Private Company	Public Company	Minimum Number of members	2	7	Maximum Number of members	200	Unlimited	Minimum paid up share capital	1 Lakh	5 Lakh	Minimum Number of directors	2	3	5	20
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		Transfer of shares	Transfer of shares restricted	Freely transferable		
		Commencement of business	It can start business immediately after receiving Certificate of Incorporation'	It can start business only after getting 'Certificate of commencement of Business'		
		Articles of Association	It must file its own Articles	It can adopt Table F instead of Articles of Association		
		Invitation to the public to subscribe its shares or debentures	It can't invite	It can invite		
31		<p>Multinational Company (MNC) A multinational company is the company which operates in many countries. MNC has its headquarters in one country, but spreads its operations all over the world. They use advanced technology and deal wide variety of products. They design products and services to suit the needs of world market. Eg. Pepsi, Coca-cola, Brook Bond, Cadbury, ,Tata Steel, Tata Motors etc</p> <p>Features of MNC/Global Enterprises (Any 3)</p> <p>1. International operations Multinational companies operate globally.</p> <p>2. Giant size The most important feature of a multinational company is its gigantic size.</p> <p>3. Centralized Control The branches of Multinational companies spread all over the world and are controlled and managed from the headquarters situated in the home country.</p> <p>4. Advanced technology MNC possess latest and advanced technology.</p> <p>5. Product Innovation They are characterized by having highly sophisticated research and development departments engaged in the task of developing new products, new designs etc.</p> <p>6. Huge capital resources They are in a position to raise huge funds from different sources. They can issue equity shares, debentures or bonds to the public.</p>			5	10
32		<p>Business Process Outsourcing (BPO) is a new type of business activity. It refers to get the business task accomplished through an outside agency. Functions like maintenance of accounts, recruitment of employees, their training and development, payroll accounting, outsourcing canteen to an outside agency etc. Thus the company can concentrate on matters that</p>			5	

	<p>are crucial to their business like, manufacturing, product management, marketing etc.</p> <p>Need/Advantages of out sourcing (any 4)</p> <p>1. Concentrate on core competency BPO provides an opportunity to the business to concentrate on core areas. It will enable better performance.</p> <p>2. Cost reduction Outsourcing agencies are specialists in their activities. They can perform the same job at a lower cost. It will reduce the cost of production.</p> <p>3. Convenience and less investment To the extent you can avail of the services of others, your investment requirements are reduced and others have invested in those activities for you.</p> <p>4. Specialization Through outsourcing specialization in business operation can be achieved. This reduces cost and improves the quality of business operations.</p> <p>5. Avoidance of labour problems Outsourcing help a business to reduce its labour force .So labour problems can be reduced to an extent.</p> <p>6. Economic growth and development It generates employment opportunities. Offshore outsourcing stimulates entrepreneurship, employment and exports in host countries. In India IT companies utilizing the full advantages of out sourcing business from foreign countries.</p> <p>7. Benefits from expertise and experience of others Service providers are very expert and specialists in their field. Experts can do the work with high speed and less wastage. More over outsourcing agencies often act as consultant for that particular function</p>												
33	<p style="text-align: center;">Match The Following</p> <table border="1" style="width: 100%;"> <tr> <td style="width: 50%;">a) Obey the Law of the Country</td> <td style="width: 50%;">C) Legal Responsibility</td> </tr> <tr> <td>b) Respecting the religious Sentiments</td> <td>e) Ethical Responsibility</td> </tr> <tr> <td>c) Emission of Carbon monoxide</td> <td>a) Air Pollution</td> </tr> <tr> <td>d) Dumping of waste to Streams</td> <td>b) Water Pollution</td> </tr> <tr> <td>e) Loss of hearing</td> <td>e) Noise Pollution</td> </tr> </table>	a) Obey the Law of the Country	C) Legal Responsibility	b) Respecting the religious Sentiments	e) Ethical Responsibility	c) Emission of Carbon monoxide	a) Air Pollution	d) Dumping of waste to Streams	b) Water Pollution	e) Loss of hearing	e) Noise Pollution	5	
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34	<p>Memorandum of Association</p> <p>The Memorandum of Association is the principal or most important document of a company. It is the charter or 'Magna carta' of the company. Memorandum of Association defines the objectives of a company and determines the boundary line beyond which the company can't operate. It defines the powers of a company and company's relationship with outside world. The purpose of the MOU is to enable the shareholders, creditors and others who deal with the company to know</p>	5											

	<p>the scope of the company's operations. The MOU sets out the constitution of the company. It is a public document.</p> <p>Contents of Memorandum of Association</p> <p>The Memorandum of Association is divided into Six clauses. (Any 4)</p> <p>(1) Name Clause (2) Situation or domicile Clause (3) Object Clause (4) Liability Clause (5) Capital Clause (6) Association Clause.</p>		
35	<p>Problems of small business in India (Any 5)</p> <p>1.Lack of managerial experience Small business is generally promoted and operated by a single person, who may not possess all managerial skills required to run the business.</p> <p>2.Inadequate finance These units frequently suffer from lack of adequate working capital. Banks generally do not lend money without adequate collateral security. As a result they heavily depend on local financial resources and are frequently the victims of exploitation by money lenders.</p> <p>3.Irregular supply of raw materials The quality, quantity and regularity of supply of raw materials are another problem of small scale industries. They depend local sources for raw materials requirements and regular supply can't be ensured.</p> <p>4.Problem of marketing Small units find it difficult to popularize the brand name of their products due to the tough competition from big business houses. They can't undertake costly advertisement campaigns.</p> <p>5.Outdated technology Use of out dated technology is one of the problem facing small scale industries today. It results in low productivity and uneconomical production.</p> <p>6.Inefficient labour Small business firms can't afford to pay higher salaries to the employees. Therefore it is not in a position to attract efficient employees.</p> <p>7.Lack of proper machinery and equipments Because of the financial problems, many small units use outdated machinery and equipments for production. This affects the quality and quantity of production. In effect the result will be high cost of production.</p> <p>8.Lack of technical know- how Small business entrepreneurs do not have much knowledge about different alternative technologies to improve the quality of products and thereby reduce costs.</p>	5	

	<p>9.Global competition Because of liberalization and globalisation, small business firms now face competition not only from medium and large scale industries but also from multinational companies</p>		
Answer any 2 questions from 36 to 38 Each carries 8 scores (2 X 8 = 16)			
36	<p>Industry refers to that part of business activities which is concerned with the production of goods and materials. Industries can be divided into three broad categories namely: I. Primary industries II. Secondary Industries III. Tertiary Industries I. Primary Industries: It includes all those business activities, which are concerned with extraction of natural resources, reproduction and development of living organisms, plants etc. Primary industries can be classified into two: a. Extractive industries b. Genetic industries 1.a. Extractive Industries: Extractive industries are those industries which extract something from natural sources like earth, water, air etc. Example: Mining, hunting, fishing from natural sources, fruit gathering, agriculture etc 1.b. Genetic Industries: Genetic Industries are those industries which are undertakes activities like reproduction or multiplication of animals and plants with an objective of earning profit. Eg : Agriculture nursery, poultry farming, cattle breeding, pisciculture (fish farming). II. Secondary Industries: These industries are concerned with manufacturing goods or constructing building, roads etc. by using raw materials provided by primary industries. Secondary industries can be divided into two:- a. Manufacturing Industry b. Construction Industry 2 .a. Manufacturing Industry: Manufacturing Industries are engaged in the process of converting raw materials into finished goods. Example Tata Motors, Exide, Kitex These can be classified into 4 a. Analytical Industries b. Synthetical Industries c. Processing Industries d. Assembling Industries 2 .b. Construction Industry These industries are involved in the construction of buildings, dams, bridges, roads, canals etc. Their outputs are always immovable. Example : DLF, Construction Companies III. Tertiary Industries Tertiary industries are providing support service to primary and secondary industries. Tertiary Industries consists of banking, Insurance, advertising, communication etc.</p>	8	16

37	<p>Partnership is an association of two or more persons who agreed to pool together their financial and managerial resources in some business and to share the profit thereof between them.</p> <p><u>Advantage of partnership (Any 3)</u></p> <p>1.Easy Formation A partnership firm can be formed easily by putting an agreement between partners. Registration is not compulsory..</p> <p>2.More Funds In a partnership, the capital is contributed by a number of partners. This makes it possible to raise larger amount of capital as compared to sole trading concern.</p> <p>3.Division of labour Division of labour is possible in partnership..</p> <p>5.Efficient management In partnership the skill and experience of all partners are brought together.</p> <p>6.Sharing of risk In partnership,risks are shared by all the partners. This reduces the anxiety, burden and stress on individual partners.</p> <p>7.Secretcy A partnership firm is not legally required to publish its accounts and reports..</p> <p><u>Disadvantages of partnership (Any 3)</u></p> <p>1.Unlimited liability Partner’s liability is unlimited. This may restrict them to take risky decisions.</p> <p>2.Non transferability of interest In partnership there is restriction in case of transfer of ownership. A partner can transfer his share to a third party only with the consent of all other partners.</p> <p>3.Lack of public confidence A partnership firm is not legally required to publish its financial reports. As a result the confidence of the public in partnership is generally low.</p> <p>4.Possibility of conflicts Partnership is run by group of persons wherein decision making authority is shared. Difference in opinion on some issues may lead to disputes between partners.</p> <p>5.Lack of continuity Partnership comes to an end with the death, retirement, insolvency of any partner. However, the remaining partners may continue the business on the basis of a new agreement.</p>	8	
38	<p>Any Four</p> <p>PRINCIPLES OF INSURANCE</p> <p>1. <u>Principle of Utmost Good Faith(Uberrimate fide)</u> Insurance is a contract of utmost good faith. Both the parties to the contract should be absolutely honest to each other in regard to the contract. The insured is liable to disclose all material facts known to him. Similarly, the insurer is also liable to disclose honestly the scope of insurance which he</p>	8	

is prepared to grant. If there is non-disclosure or misrepresentation of any material fact, the agreement will be invalid.

2. Principle of Indemnity

Indemnity means that in case of any loss, the insured shall be compensated, but the amount of compensation shall never be more than the actual loss. It denotes that the insured is not allowed to make any profit out of his loss.

3. Principle of Insurable Interest

According to this principle the insured person must have insurable interest in the life or property insured. Otherwise he cannot claim at the time of loss. Insurable interest means that the insured must have some financial interest in the object, property or life which he is insuring. No person can enter into a contract of insurance unless he has insurable interest in the subject matter of insurance.

4. Principle of Causa Proxima

Proximate cause literally means the 'nearest cause' or 'direct cause'. This principle is applicable when the loss is the result of two or more causes. Insurer pays the claim money only if the nearest cause is insured

5. Principle of Subrogation

It is an extension of the principle of indemnity. As per this principle after the insured is compensated for the loss due to damage to property insured, then right of ownership of such property passes on to the insurer. If the damaged property has any value left, that cannot be given to the insured. This is because the insured should not be allowed to make any profit, by selling the damaged properties.

6. Principle of Mitigation of Loss

Insured can claim for loss or damage only if the loss arises due to reasons beyond the control of the insured. According to this principle the insured is expected to take reasonable care to protect the insured property from loss or damage and has taken effective measures to minimize the loss. The insured must not neglect or behave irresponsibly during such events just because the property is insured. In case insurer finds out the loss is due to carelessness of the insured, then the insured loses the right to be compensated for the loss.

7. Principle of Contribution

It is applicable to all contracts of indemnity. According to this principle, an insured can insure the same subject matter with two or more insurance companies but he can claim the compensation only to the extent of actual loss either from all insurers or from any one insurer. If one insurer pays the full compensation then that insurer can claim proportionate compensation from other insurers

ബിസിനസ് സ്റ്റഡീസിന്റേ സ്റ്റഡി നോട്ടീസും ഓൺലൈൻ ടെസ്റ്റ് പേപ്പറിനും സന്ദർശിക്കുക: <https://binoygeorgeonline.blogspot.com/p/plu-one-business-studies.html>