ANSWER KEY

First Year Higher Secondary Secondary Examination,JUNE 2022

Subject-Business Studies Code-FY-48-Unofficial

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) Auxiliaries to Trade	1	**8**
2.		(c) Nominal	1	
3.		(c) Indian Railway	1	
4		(a) Bonded warehouse	1	
5.		(d) Air pollution	1	
6.		(Any 2) Memorandum of Association, Articles of Association, Prospectus / Statement in lieu of prospectus, list of directors, written consent of directors stating that they have agreed to act as directors, statement of authorized capital	1	
7.		(d) Commercial Paper	1	
8.		National Bank for Agriculture and Rural Development	1	
9.		Super Market/ Super Bazar/ self-service store	1	
10		Bill of lading		
Answer any 4 questions from 11-17.Each carries 2 scores (4 X 2 = 8)				
11		Main **objectives of business** are the following: 1. Earring profits 2. Innovation 3. Market standing (creation of customers) 4. Productivity 5. Social responsibility 6. Manager performance and development 7. Workers performance and attitude	2	**8**
12		**Joint venture** is a very common strategy for entering into foreign markets. Joint venture means establishing a firm that is jointly owned by two or more independent firms. In a joint venture (JV), each of the participants is responsible for profits, losses and costs associated with it. However, the venture has its own entity.Example: Maruti Suzuki	2	
13.		**Features/nature of business services (Any 4)** 1. Intangibility 2. Inseparability 3. Inventory 4. Involvement 5. Inconsistency	2	
14		**Payment Mechanism in online shopping: (Any 4)** a) Cash on delivery (CoD) b) Cheque c) Credit Card (Plastic Money)	2	

		d) Debit Card e) Net banking transfer f) Digital cash g) e-wallets h) Unified Payments Interface (UPI)		
15		**Functions of Promoters or Stages in Promotion (Any 2)** **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. **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. **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. **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. **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. **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.	2	
16		**Trade credit** is the credit extended by one trader to another for the purchase of goods and services. Trade credit facilitates the purchase of goods without immediate payment. It is commonly used by the business	2	

		organization as a short-term source of financing. It does not create any charge on the asset of the company.		
17		**Types of Itinerant Traders** (Any 4) Hawkers, peddlers, cheap jacks, and street and market traders.	2	
Answer any 4 questions from 18-23.Each carries 3 score (4X 3=12)				
18		**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 some cases government holding may be 100%. It is formed and registered under companies Act 1956 (Now it is Companies Act 2013). Eg.HMT, SAIL,BPCL,Union Bank,Canara Bank **Limitations of Government Company (Any 2)** 1. Lack of Motivation: 2. Political Interference 3. Lack of Autonomy 4. Delay in Decision 5. Low labor productivity **OR** **Advantages of Government Company (Any 2)** 1. Easy formation 2. Huge Capital 3. Professional management 4. Flexibility in operations 5. Internal autonomy 6. Public accountability	1 1 1	**12**
19		**Social Responsibility of business towards:** **Responsibility towards Customers (Any 2)** 1.To supply right quality of goods and services at reasonable prices. 2.To avoid unfair trade practices such as adulteration, hoarding, black-marketing, under weighing, misleading advertising, etc. 3.To ensure proper after sales services. 4.To inform them about new products and new uses of the existing products. 5.To handle customers' grievances promptly. **Responsibilities of business towards its employees are (Any 2)** 1.To pay fair wages and salaries regularly. 2.To provide good working conditions. 3.To provide welfare schemes such as housing, medical care, reservation etc. 4.To protect trade union rights including the right of participation in management. 5.To guarantee freedom of religion and political views. 6.To give timely training to its employees. 7.Responsibility towards Government **Responsibility towards owners/shareholders (Any2)** Business has certain responsibilities towards its owners. They are: 1.To ensure safety of investment. 2.To provide a fair and regular dividend.	3	

		3.To provide regular, accurate and adequate information on the financial position of the firm. 4.To give reasonable opportunities for participating in policy decisions. 5.To make every effort to bring about increase in the value of shares.		
20		**Lease Financing:** Leasing is an arrangement of acquiring the right to use an equipment or asset without actually owing the same. **Disadvantages of lease financing (Any 3)** 1)Lesser may impose certain restrictions on the use of assets. 2)The normal business operations may be affected in case the lease is not renewed. 3)It may result in higher payout obligation in case the equipment is not found useful and the lessee opts for premature termination of the lease agreement.	3	
21		**Multiple shop/ Chain stores** Multiple shop is a large-scale retail organization with a number of branches at different places under one ownership and management and dealing in one line of product. These stores are identical in their appearance, sign boards and interior decoration. Examples: Maveli stores, Bata shop, Usha sewing machines ➢ Branches of the shop are located throughout the nation. ➢ They specializes in one or two lines of goods. ➢ The goods required by the branches are supplied by the head office. ➢ The branches only sell the goods at the prices fixed by the head office on cash basis. ➢ Chain stores completely avoid middlemen.	3	
22		**Important Foreign Trade promotion measures/schemes (Any 3)** **1)Duty Drawback Scheme :** It refers to the refund of customs and excise duties paid on inputs used in the manufacture of export goods. Such refunds are called duty draw backs 2**)Export Manufacturing Under Bond Scheme:** This facility entitles firms to produce goods without payment of excise and other duties. The firms desirous of availing such facility have to give an undertaking (i.e, bond) that they are manufacturing goods for export purposes and will export such products on their production. **3)Exemption from payment of sales tax:** Under this scheme, goods meant for export purposes are not subject to sales tax **4)Advance License Scheme:** It is a scheme under which the exporter is allowed duty free supply of domestic as well as imported inputs required for the manufacture of export goods. **5)Export Promotion Capital Goods Scheme (EPCG):** The main objective of this scheme is to encourage the import of capital goods for export production. This scheme allows the export firms to import capital goods at lower rate of customs duties **6)Export Processing Zones (EPZ):** EPZs are established as special enclaves separated from domestic tariff area. It provides an internationally	3	

		competitive and duty-free environment for the production of export goods. The units located in this zone will get infrastructural facilities at a lower cost. They can import capital goods and raw materials for production of export goods without license. **7.Special Economic Zones (SEZ):** SEZ is a special area deemed to be a foreign territory for the purpose of trading and for imposing duties. Goods coming from SEZ area to Domestic Tariff Area (DTA) is treated as deemed imports and goods going to SEZ area from DTA is treated as deemed exports. SEZs is free from all rules and regulations governing imports and exports units except relating to labour and banking. **8.Hundred percent (100%)Export Oriented Units** They are eligible for all benefits provided to the units in the EPZ. These units can be established anywhere in the country. They are established with the main purpose of exporting their entire production.		
23		**Advantages of Departmental stores (Any 3)** **1)Central location** It is generally established at the centre of the city, they attract large number of customers. **2)Shopping convenience** It enables the consumers to buy all their requirements at one place. It saves their time, energy and money. **3)Economies of large scale operation** As it is organized on large scale the economies of large scale operations such as economy in purchasing, transporting, advertising etc can be enjoyed. **4)Consumer services** Free home delivery, restaurants, reading rooms, telephone booth etc in the store are added attraction to the consumers. **5)Wide choice** Consumers can select products of their choice from large stock of different brands. They are assured of high quality of goods purchased by expert's buyers from the best manufacturers. **6)Mutual Advertisement** As all departments are under one roof there is economy in advertising. **7)Risk distribution** If there is a loss in one department, it may be compensated from the earnings of the other departments.	3	
Answer any 4 questions from 24 to 29 .Each carries 4 scores (4 X 4=16)				
24		**Nature of Business risk (Any 4)** **1. Business risks arise due to uncertainties:** Uncertainty refers to the lack of knowledge about what is going to happen in the future. Natural calamities, change in demand and prices, changes in technologies, government decisions etc. are examples of uncertainty. The outcome of this future event is not known in advance.	4	16

		2. Risk is an essential part of every business: In business risk is unavoidable. Risk may vary from business to business. Risk can be minimized or shared with the help of insurance but can't be eliminated. **3. Profit is the reward for risk taking:** Actually, profit is the reward for risk bearing. No risk, no gain is an age-old principle and is applicable to all kinds of business. A businessman shoulders risks in anticipation of better returns. 4**. Risk depends mainly upon the nature and size of business:** Nature and size of business very much determine the degree of risk involved in a business. A large-scale business involves more risks than small scale unit. Similarly, a firm dealing in fashionable items does have high degree of risk than a firm dealing in essential commodities.		
25		**Merits of Sole Proprietorship (Any 4)** **1.Easy formation:** A sole proprietorship business can be started with minimal legal formalities. **2. Quick decisions** The sole proprietor is completely free to take decisions without consulting with others. **3. Motivation to work** The proprietor alone is entitled to receive all the profit of business and he alone has to bear all the losses. There is direct relation between effort and reward. **4. Secrecy** A sole trader is not bound by law to publish his accounts of business. **6. Flexibility of operations:** The small size and simple management structure helps a sole proprietor to adapt easily to changing conditions. **7. Economy** Sole proprietorship can be formed with small capital and the least administration expenses. **8.Self Employment:** It is a means for earning livelihood independently. **9.Diffusion of ownership:** The concept of sole proprietorship business creates large number of units in the economy. There is no danger of concentration of economic power in a few hands. **10.Development of Personality:** Qualities of self-reliance, self-confidence, responsibility and initiate have full scope for development under sole proprietorship.	4	
26.		**Types of Banks** **1. Commercial Bank** Commercial Banks perform all kinds of banking business. They accept deposits from the public and repay on demand and grant short term credit mainly to trade, commerce and industry. In additions to the primary functions of accepting deposits and lending money commercial banks render various agency and other utility services. SBI is the largest commercial bank in India.	4	

2. Co-operative Banks

Co-operative banks are organized and managed on the principals of co-operation, self help and mutual help. Even though these banks perform some major functions of commercial banks, they concentrate on agricultural and rural credit.

3. Specialized Banks

Specialised banks are foreign exchange banks, industrial banks, development banks, export –import banks catering to specific needs of these unique activities. These banks provide financial aid to industries, provide foreign exchange services etc.

4. Central Bank

Central bank is the apex institution which supervises and controls the entire banking system of a country. Every country has a central bank. The Reserve Bank of India (RBI) is the central bank of our country. It also act as a government banker. It controls and coordinates currency and credit policies of any country.

27 Match the Following

A	B	Score
a. Memorandum of Association	**Define Objectives of the Company**	1
b. Articles of Association	**Rules regarding internal management**	1
c. Prospectus	**Invitation to public by a company to subscribe its shares or debentures**	1
d. Certificate of incorporation	**Birth certificate of the company**	1

28 **Advantages of debentures (Any 2)** — 4

1.It is suitable to investors who want fixed income at lesser risk.
2.Interest paid is a deductible expense. So, tax savings is possible.
3.Debenture holders have no voting rights, it never dilutes the control of equity shareholders on management.
4.Debentures enable the company to the advantage of trading on equity.
5.It provides flexibility to the capital structure

Demerits of Debentures (Any 2)

1.Interest on debenture is an obligation to the company. It is to be paid annually irrespective of the profit of the company.
2.Debenture holders do not enjoy any voting rights in the company.
3.Debenture issue is not suitable for companies with unstable future earnings.
4.Debenture issue may not be possible beyond a certain limit due to inadequacy of assets to be offered as security.

29 **(Any 4)** 4

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

Answer any 4 questions from 30 to 35 .Each carries 5 scores (4 X 5 =20)

30 **Types of Co operative Society: (Any 5)** 5 **20**

1. Consumers Co-operative Society.

Consumer's cooperative societies are established to remove middlemen from the field of trade. It is formed to ensure steady supply of essential commodities of standard quality at fair prices. It purchases goods on wholesale basis and sell these goods to members at cheaper rates than the market price. Eg Triveni super market

2.Producers Co-operative Society.

It is formed to protect the interest of small-scale producers. A producers Co-operative Society is organized by small scale producers to face competition and to increase production. The members of the society produce goods in their house or at common place. The raw materials, tools,equipments, money etc. are provided to them by the society. The output is collected by the society and sold in the market at the wholesale rate. The profit is distributed among the members in proportion to the goods supplied by each member.Eg. Haryana Handloom

3. Marketing Co-operative Society

These societies are formed by small producers and manufacturers who find it difficult to sell their products individually. The society collects the products from the individual members and takes the responsibility of selling those products in the market. Profits are distributed according to ratio of goods supplied by them. Gujarat Co-operative Milk Marketing Federation that sells AMUL milk products is an example of marketing co-operative society.

		4. Co-operative Credit Societies These societies are formed by poor people to provide financial help and to develop the habit of savings among members. They help to protect members from exploitation of money lenders who charge very high interest from borrowers. They raise funds by accepting deposits from the members as well as from the public and grant loans to its members. Kumaramangalam Service Co-operative Society and Thodupuzha Urban Cooperative Banks etc are examples of co-operative credit society. **5.Co-operative Farming Society** These are voluntary associations of small farmers who join together to obtain the economies of large scale farming. They pool together their land and undertake cultivation collectively. It provides better quality seeds, fertilizers, large scale farming tools like tractors, harvesters etc. **6. Co-operative housing societies** These societies are formed by low- and middle-income group people in urban areas to have a house of their own. Housing cooperatives are of different types. Some societies acquire land and give the plots to the members for constructing their own houses. They also arrange loans from financial institutions and Government agencies. Other societies themselves construct houses and allot them to the members who make payment in installments		
31		**Features of MNC/Global Enterprises** **1.International operations** Multinational companies operate globally. **2. Giant size** The most important feature of a multinational company is its gigantic size. **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. **4.Advanced technology** MNC possess latest and advanced technology. **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. **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.	5	

32		**(Any-5)** **Difference between Traditional Business and e-business**	5	

Basis of difference	**e-business**	**Traditional business**
Formation	Difficult	Easy
Setting up cost	Low	High
Operating cost	Low	High
Personal touch	Nil	High
Physical Examination of goods	Not possible	Possible
Business expansion	Very scope	Difficult
Market	Wider	Narrow
Physical presence	Not required	Required
Transaction risk	High	Low
Nature of human resource	Technically and professionally qualified workforce needed	Semi-skilled and even unskilled manpower needed.

33		**Elements of Business Ethics**	5	

1.Top management commitment

Business man should always sensitive or proactive to ethical issues concerning the business. It is the top management, which take decisions, initiates action and leads the organization towards business ethics.

2.Publication of a 'code'

The business must develop a code/rule containing the definite ethical programme.It may be regarding honesty, abiding by law, product quality, sfety, health care and fair business practices.

3.Establishment of compliance mechanism

In order to ensure actual decisions and actions comply with firm's ethical standards, suitable mechanism should be established. This mechanism should be regarding paying attention of values of ethics in recruitment, training, auditing, product quality etc.

4.Involving employees at all levels

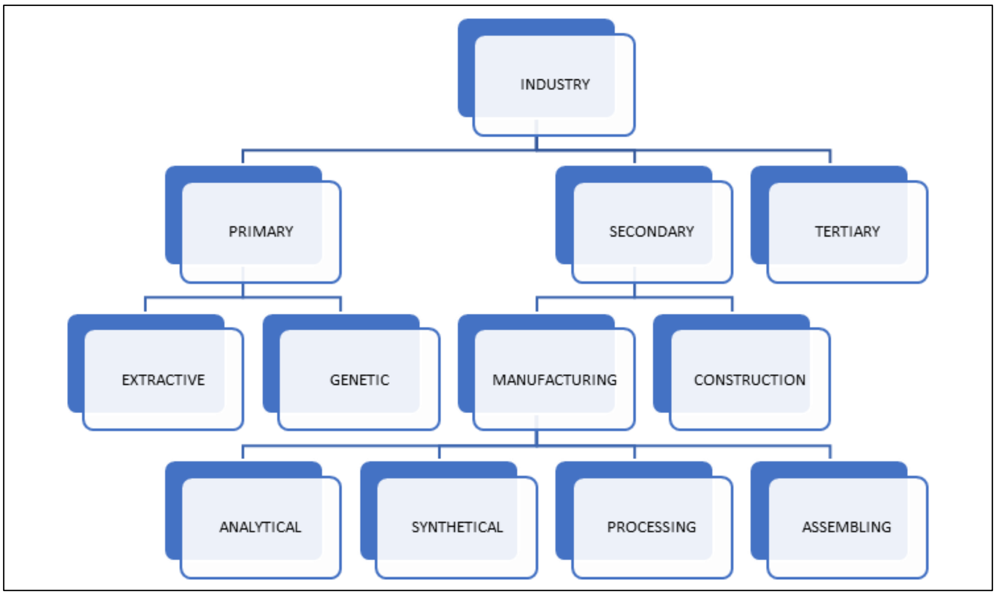
The involvement of all the employees in the ethical programme is must. Employees' representative must be taken into confidence while framing documents on ethics.

		5.Measuring results Although it is difficult to accurately measure the end results of ethical programmes, management should evaluate its actual performance with standards and take corrective actions if necessary.		
34		**Contents of Memorandum of Association** The Memorandum of Association is divided into Six clauses. (1) Name Clause (2) Situation or domicile Clause (3) Object Clause (4) Liability Clause (5) Capital Clause (6) Association Clause. **1. Name of Clause**: This clause contains the complete name of the company. The name of a company can be altered only by a special resolution of the company and with the prior approval of the Central Government. **2.Situation Clause or Domicile Clause**: This clause specifies the name of the state in which the registered office of the company is situated. The registered office is the place where all the statutory books and other important documents of the company are kept. **3.Objective Clause:** It is the most important clause of the Memorandum of Association. It contains the main object of the company and other secondary objective which the company may pursue. This clause defines the scope and limitations of the activities of the company. Any acts beyond the powers in the objects clause are 'ultra vires' and hence void and illegal. **4.Liability Clause:** This clause defines the liability of the members of the company. **5.Capital Clause:**This clause states the total capital of the company with which the company is registered. It is known as authorized, registered or nominal capital. Accompany can issue only that number of shares which are authorized by its memorandum. **6. Association or Subscription Clause**: This clause is in the form of a declaration. It states that the subscribers of memorandum express their willingness to from a company. The association clause can't be altered.	5	

35		**Problems of small business in India (Any 5)** **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. **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. **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. **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. **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. **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. **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. **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. **9.Global competition** Because of liberalization and globalisaton, small business firms now face competition not only from medium and large scale industries but also from multinational companies	5	

Answer any 2 questions from 36 to 38 Each carries 8 scores (2 X 8 = 16)

36		**(Chart + Brief explanation)**	8	**16**



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.		
37		**Features of a Joint Stock Company** Important feature of a joint stock company are the following: **1.Number of members** Minimum number of members to form a Private Ltd. Company is 2 and 7 in case of Public Ltd. The maximum number of members in a private Ltd company is limited to 200 and in Public Limited Company it is unlimited. **2.Created by Law** A company is formed by registered under Indian Companies Act 2013.Formation of a company involves lengthy and complicated procedures. **3.Separate Legal Existence** A company has separate legal existence apart from its members. It can carry on business in its own name, own property, lend and borrow money etc in its own name.. **4.Perpetual succession (Permanent life)** Its existence not affected by the death, insolvency or change of ownership through sale of shares by shareholders. Members may come and go, but the company can go forever **5.Limited liability** The liability of a shareholder is limited to the extent of the face value of shares held by him. **6.Transferability of shares** Shares of a public company are freely transferable. Members can transfer their shares without the consent of other members.. **7.Common seal** Common seal is the official signature of a company.. **8.Separation of ownership and management**	8	

		The company is owned by shareholders. But it is managed by Board of Directors, the elected representatives of shareholders. In this way there is separation of ownership and management. **9.Compulsory Registration** All companies are compulsorily to be registered under the Indian Companies Act, 2013.		
38		**Any Four** **PRINCIPLES OF INSURANCE** **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 is prepared to grant. If there is non-disclosure or misrepresentation of any material fact, the agreement will be invalid. **2. <u>Principle of Indemnity</u>** 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. <u>Principle of Insurable Interest</u>** According to this principal 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. <u>Principle of Causa Proxima</u>** 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.<u>Principle of Subrogation</u>** 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	8	

		must not neglect or behave irresponsibility 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 losses 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		