

**Answer Key-First Year Higher Secondary Model examination,
February -2024**

Subject-Business Studies with Functional Management Code-148-Unofficial

Q.No	Sub Q.No	Answer key/Value Points	Score	Total
I Answer any 7 questions from 1 to 9.Each carries 1 Score (7 X 1 =7)				
1.		d) Manufacturing	1	7
2.		Co-parceners	1	
3.		c) Equity Shares	1	
4		b) Street Stalls	1	
5.		d) Letter of Credit	1	
6.		c) Discretionary Responsibility	1	
7.		b) Memorandum of Association	1	
8.		c) Departmental undertaking	1	
9.		(Any 2) Cash on delivery,Net banking,digital cash,plastic money(debit/credit card), Cheque	1	
II Answer any 7 questions from 10-17.Each carries 2 scores (7 X 2 = 14)				
10.		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	2	14
11.		Digital cash This type of currency has no physical properties, but offers the ability to use as real currency in an electronic format to purchase goods and services in online. To get digital currency you want to pay an amount equivalent to the digital cash to the bank who give digital currency. Then the bank dealing in e-cash will send you special software that you can download on your computer. That software allows you to draw digital cash from your account. You can use the digital funds to make purchase over web.	2	
12.		<u>Contents of Partnership Deed (Any-4)</u> 1. Name of the firm 2. Names and addresses of partners 3. Nature of business 4. Duration of partnership, if any 5. Amount of capital contributed by each partner. 6. Profit sharing ratio. 7. Amount of salary, if any, payable to partners. 8. Rate of interest, if any, on capital and drawings.	2	

		9. Amount of withdrawals to be allowed to each partner. 10. Rights, duties, powers and obligations of partners.		
13.		<u>Features of Statutory Corporation (Any-2)</u> Formation: It is created by government under a special Act in parliament or state legislature. 2. Separate legal entity: It has separate existence apart from the government. 3. Ownership: It is fully owned by the government. 4. Management: Its management is vested in Board of Directors appointed by the government. 5. Status of employees: A statutory corporation has its own staff. 6. Financial autonomy 7. Public accountability	1 1	
14.		Public private partnership (PPP) A public private partnership means an enterprise which a project or service is financed and operated through a partnership of Government and private enterprises. An example for PPP is Rajiv Gandhi Super-specialty Hospital, Raichur, Karnataka	2	
15.		<u>Categories of Communication</u> 1. Postal Services 2. Telecom Services	2	
16		Business ethics is a set of principles governing the moral conduct of a business. Ethics tells what is right and what is wrong. It requires just and equal treatment with customers, suppliers, workers etc. Ethics involves critical analysis of human action and behavior.	2	
17		Retained Earnings: If a company retained a certain percentage of profit without distributing as dividend among share holders, that undistributed portion of total profit is known as retained earnings. It is a source of internal financing or self-financing. It is also known as 'ploughing back of profit'. It is treated as an ownership fund and will serve the purpose of long term and medium-term financing.	2	

III Answer any 6 questions from 18-24.Each carries 3 score (6 X 3=18)

18		Promoter is a person who performs the work of promotion and brings a company into existence. He analyses its prospects by conducting detailed investigation. If he is convinced, he arranges men, money and materials to translate his idea into a business unit. <u>Functions of Promoters or Stages in Promotion (Any-2)</u> 1. Discovery of business idea: There may be several ideas in his mind and he has to decide which is the most feasible and profitable one. 2. Feasibility study: He conduct detailed investigation regarding cost, profitability, production process, demand of the product etc.	1 1 1	18
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	<p>3. Appointment of bankers, brokers, solicitors and under writers etc.</p> <p>4. Assembling the factors of production</p> <p>5. Preparation of Important Documents</p> <p>6. Entering into preliminary Contracts</p> <p>7. Name approval</p>		
19	<p>A multinational company/ Global Enterprises is a company which operate in many countries. MNC has its headquarters' in one country, but spreads its operations all over the world. Eg. Pepsi, Coca-cola, Brook Bond, Cadbury, Sony, Suzuki, Tata Motors, Google etc.</p> <p><u>Features of MNC/Global Enterprises (Explain any-2)</u></p> <ol style="list-style-type: none"> 1. International operations 2. Giant size 3. Centralized Control 4. Advanced technology 5. Product Innovation 6. Huge capital resources 7. Expansion of market territory 	1	2
20	<p>Features of Services(Any-3)</p> <ol style="list-style-type: none"> 1. Intangibility 2. Inconsistency 3. Inconsistency 4. Inventory 5. Involvement 	1	1
21	<p>Benefits of E-business(Any-3)</p> <ol style="list-style-type: none"> 1. Provide global market for both buyers and sellers 2. Speed: Through e-business information can be exchanged, buying and selling etc can be done just with the click of a mouse. 3. Convenience: E-business offers the advantage of accessing anything, anywhere, anytime. 4. Easy to form and lower investment requirements: Unlike physical stores e-business is relatively easy to start. There is no need to construct building, keep stock, decorate shop etc. 5. Reduced Selling and Marketing cost 6. Lower advertisement cost 	1	1

22	<p>a. Factoring: It refers to the practice of raising funds by selling a firm's account receivable to another company or agency. Credit management is a specialized activity as it requires skill and involves a lot of time and effort. Hence debt collection activity may be entrusted with specialized agencies called factoring organizations.</p> <p>b. Lease Financing A lease is a contractual agreement whereby one party i.e., the owner of an asset grants the other party the right to use the asset in return for a periodic payment. 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.</p>	1.5 1.5	
23	<p>Preference share holders have preferential right over equity share in case of payment of dividend and repayment of capital at the time of winding up. They are entitled to a fixed rate of dividend before any dividend is paid to equity share holders.</p>	1.5 1.5	
24	<p><u>Services of wholesalers to manufactures (Producers)(Any-3)</u></p> <p>1. Provide Ready Market</p> <p>2. Concentration of production</p> <p>4. Provide finance</p> <p>5. Provide storage facility</p> <p>6. Economies of scale</p> <p>7. Provide Market Information</p>	1 1 1	
IV Answer any 5 of the following questions from 25 to 30. Each carries 5 score (5 X 5=25)			
25	<p><u>Characteristics of Business</u></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.</p> <p>4. Element of risk- Risk cannot be eliminated from business.</p> <p>5. Production, sale or exchange of goods and services: Directly or indirectly, every business involves production, transfer or exchange of goods and services for value</p>	1 1 1 1 1	25

26	<p>Co-operative Society</p> <p>Features of Co-operative Societies (any-4)</p> <p>1. Voluntary Association-The membership of a cooperative society is voluntary in nature. Any individual can join the cooperative society and can also exit the membership as per his/her desire.</p> <p>2. Compulsory registration-A cooperative society is compulsorily registered under the Cooperative Societies Act, 1912.</p> <p>3. Number of members-Minimum number of members required to form a cooperative society is 10. Maximum number of members is unlimited.</p> <p>4. Limited liability-The liability of the members of a cooperative society is limited to the extent of the amount contributed by them as capital.</p> <p>5. Democratic Control-Co-operative societies are managed by a managing committee, which is the elected representative of members. In co-operative society there is one man one vote principle is followed.</p> <p>6. Service motive-It is formed with the motive of service to its members, not to earn profits.</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	
27	<p>Importance of social responsibility in business(Explain any-5)</p> <ol style="list-style-type: none"> 1. Public Image 2. To Avoid Govt. Regulation 3. Employee Satisfaction 4. Consumer awareness 5. Moral Justification 6. Survival and Growth 	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	
28.	<p>Benefits of International Business to the Firm:</p> <p>1. Increased Capacity Utilization It helps the firm in using their surplus production capacities and improving the profitability of their operations. 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> <p>4. Improved business vision</p>	<p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>	

	<p>It improves business vision as it makes firms to grow, more competitive and diversified.</p> <p>5.Prospects for higher profits: When the domestic prices are lower, business firms can earn more profits by selling their products in countries where prices are high</p>		
29	<p><u>Problems of small business(Explain any-5)</u></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: Generally small business begins with a small capital base. These units frequently suffer from lack of adequate working capital. Banks generally do not lend money without adequate collateral security.</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</p> <p>6. Inefficient labour</p> <p>7. Lack of proper machinery and equipments</p> <p>8. Lack of technical know- how</p> <p>9. Global competition</p>	1 1 1 1	
30	<p><u>Clauses of Memorandum of Association</u></p> <p>The Memorandum of Association can be divided into Six clauses. (1) Name Clause (2) Situation or domicile Clause (3) Object Clause (4) Liability Clause (5) Capital Clause (6) Association Clause.</p> <p>1. <u>Name of Clause</u> This clause contains the complete name of the company.</p> <p>2. <u>Situation Clause or Domicile Clause</u> 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.</p> <p>3. <u>Objective Clause</u> 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.</p> <p>4. <u>Liability Clause</u> This clause defines the liability of the shareholders of the company.</p> <p>5. <u>Capital Clause.</u> 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.</p>	1 1 1 1	

	<p>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 form a company. The memorandum must be signed at least two persons in the case of a private company and at least seven persons in case of a public company. The association clause can't be altered.</p>		
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V Answer any 2 questions from 31 to 33. Each carries 8 score (2X 8 =16)

31	<p><u>Advantages of Departmental stores (Explain any-4)</u> 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 6) Mutual Advertisement 7) Risk distribution 8) Promotion of sales <u>Disadvantages of departmental stores.(Explain any-4)</u> 1) Lack of Personal attention: As it has to deal with large number of customers, it is difficult to give personal attention to customers. 2) High prices: Due to high cost of operations, the prices charged by departmental stores are comparatively high. 3) High operating cost: High salary to expert, huge rent, expensive services etc increases the operating cost. 4) Location disadvantages: The number of departmental stores is limited and they are located at central places, so common man finds it difficult to visit these stores for purchasing goods of day-to-day needs. 5) Lack of effective Control</p>	8*1= 8	16
32	<p>A Joint stock company is an artificial person created by law with perpetual succession. Companies are compulsorily to be registered under the Indian Companies Act, 2013. Its capital is divided into small parts called shares. The persons who subscribed shares are known as shareholders. The company is owned by share holders. It is managed by Board of Directors, the elected representatives of share holders.</p>	17	

	<p><u>Features (Explain any-7)</u></p> <p>1. Large members</p> <p>Minimum number of members to form a Private limited company is 2 and 7 in case of PublicLtd. The maximum number of members in a private Ltd company is limited to 200 and inPublic Limited Company, it is unlimited.</p> <p>2. Created by Law:A company is formed by registered under Indian Companies Act 2013.</p> <p>3. Separate Legal Existence:A company has separate legal existence apart from its members. So, a company can carry on business in its own name, own property, lend and borrow money etc in its own name.</p> <p>4. Perpetual succession (Permanent life):Its existence never affected by the death, insolvency or change of ownership through sale of shares by shareholders.</p> <p>5. Limited liability: The liability of a shareholder is limited to the extent of the face value of shares held by him.</p> <p>6. Transferability of shares: Shares of a public company are freely transferable. Members can transfer their shares without the consent of other members.</p> <p>7. Common seal: Common seal is the official signature of a company.</p> <p>8. Separation of ownership and management: 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.</p> <p>9. Compulsory Registration: All companies are compulsorily to be registered under the Indian Companies Act, 2013.</p>		
33	<p><u>Principles of insurance (Explain Any 4)</u></p> <p><u>1.Principle of Utmost Good Faith(Uberrimate fide)</u></p> <p>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.</p>	4*2=8	

2. 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

3. 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.

4. Principle of Insurable Interest

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.

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