

**Answer Key (Unofficial)**

**First Year HSS Second Term Examination December 2024**

**Business Studies**

**Any 8 from questions 1-10, Each carries 1 Score**

1. a) Legal Or d) Ethical
2. d) Joint Stock Company
3. a) Memorandum of association
4. d) Retained earnings
5. c) Departmental Undertaking
6. c) Share
7. d) Time
8. a) Insured
9. c) B2C
10. a) Promoter

**Any 5 from questions 11-16, Each carries 2 Score**

11. a) A private company can be formed by only two members.
  - b) There is no need to issue a prospectus
  - c) Allotment of shares can be done without receiving the minimum subscription.

**Any 2 Points**

12. : It is a relationship among public sector and private sector for allocation and completion of development projects.

13. a) Utmost good faith: A contract of insurance is a contract of uberrimae fidei i.e., a contract found on utmost good faith. Both the insurer and the insured should display good faith towards each other in regard to the contract.

b) Indemnity: The insurer undertakes to compensate the insured for the loss caused to him/her due to damage or destruction of property insured.

14. a) Cash on Delivery (CoD) b) Credit / Debit Cards c) Digital Cash d) Net Banking Transfer

**Any 2**

15. a) Promotion   b) Incorporation   c) Subscription of Capital   d) Commencement of Business

16. A legal document that confirms a company's formation and registration with the registrar of companies. It is the birth certificate of a Company.

**Any 5 from questions 17-22, Each carries 3 Score**

17. a) It is a body corporate under Companies Act of 2013.

b) The govt. companies are managed by the Board of Directors., and the board members are the elected representatives of the govt.

c) The management of the company is regulated by the provisions of the Companies Act

d) The employees of the company are appointed according to their own rules and regulations as contained in the Memorandum and Articles of Association of the company.

(Any 3 Points)

18. a) Cellular mobile services      b) Fixed line services

c) Cable services                      d) VSAT services      e) DTH services      (Any 3)

19. a) Top management commitment

b) Publication of a 'Code'

c) Establishment of compliance mechanisms

d) Involving employees at all levels

Any 3 points with Explanation

20. a) Air Pollution - Due to smoke, chemical emitted by factories, vehicle. It has created a hole in the ozone layer leading to global warming.

b) Water pollution - Due to chemicals and waste dumped into the rivers, streams & lakes. It has led to the death of several aquatic animals and posed a serious problem to human life.

c) Land Pollution - Due to dumping of garbage and toxic wastes which affect the fertility of land and makes it unfit for agriculture.

21. a) Equity shares are suitable for investors who are willing to assume risk for higher returns

b) Payment of dividend to the equity shareholders is not compulsory.

c) Equity capital serves as permanent capital as it is to be repaid only at the time of liquidation of a company.

d) Equity capital provides credit worthiness to the company and confidence to prospective loan providers

(Any 3 Merits)

22.

<b>Owned Capital</b>	<b>Borrowed Capital</b>
Retained Earnings	Debenture
Equity Shares	Public Deposit
Preference Shares	Lease Financing

**Any 4 from questions 23-27, Each carries 4 Score**

23. Industry: Industry involves production or processing of goods used for consumption or for further production.

**1) Primary Industry:** Primary industries are associated with extraction of natural resources and reproduction of living organisms like plants, animals and birds. It is classified into two:

**a) Extractive industry:** Which engage in extraction of something from natural sources . The products extracted are wither directly consumed or are used as raw materials for further production. Eg. Fishing, mining, oil exploration etc.

**b) Genetic industries:** They are engaged in activities like rearing or breeding of animals, birds and plants. Eg. Agriculture, dairy farming for milk, poultry farming for egg and meat, Floriculture for flowers, Pisciculture for fish etc.

**2) Secondary Industries:** It deals with materials extracted at the primary stage. These industries either process the material or produce goods. It is further classified in to two;

**a) Manufacturing industries:** They engage in converting raw materials into finished goods. The products manufactured may either be consumer goods or capital goods. Eg: Producing steal, make furniture, making butter etc.

**b) Construction industries:** They engaged in construction of dams, bridge, airports etc. The products of these industries are immovable, labour intensive and which are used mostly for public welfare.

**3. Tertiary industries:** They concernd with providing services that support the primary industries and secondary industries. Eg. Transport, banking, insurance etc.

24.

A	B
Responsibility to Government	Payment of Taxes
Responsibility to Owners	Return on Investment
Responsibility to Customers	Quality products
Responsibility to Employees	Fair wages

25. **Multinational Companies:** A multinational company is one which has its headquarters in one country, but spreads its operations all over the world.

#### FEATURES

**a) Giant size:** Global enterprises are mostly operated on a very large scale. The physical assets of global enterprise run into billions of dollars

**b) International Operations:** A global enterprise has its headquarters in one country, but it carries out business operations by operating branches and subsidiaries in countries

**c) Centralised control:** A multinational company has its headquarters in the home country where the important objectives and policies are formulated

**d) Concentration of economic power:** These are oligopolistic (a few firms in the same line of business) in nature. Through the process of merger and takeover, they grow into gigantic size and become a huge economic power

**e) Sophisticated technology:** Multinational corporations possess latest and advanced technology and as such they can afford to provide world class products and services

**f) International market:** With vast resources and super marketing expertise, a multinational company can have easy access to international markets

(Any 3 Features)

26. A service is a transaction in which no physical goods are transferred from the seller to the buyer. Services are those separately identifiable, essentially intangible activities that provides satisfaction of wants. **Or** (Commerce consists of trade and auxiliaries to trade. These auxiliaries to trade are also known as business services)

#### Characteristics of Services

a) Intangibility: Cannot be seen, touched or smelled. Just can only be felt, yet their benefits can be availed of e.g. Treatment by doctor.

b) Inconsistency: Different customers have different demands & expectation. Eg: Mobile services/Beauty Parlour.

c) Inseparability: Production and consumption are performed simultaneously. For e.g. ATM may replace clerk but presence of customer is must.

d) Inventory Less: Services cannot be stored for future use or performed earlier to be consumed at a later date. Eg: underutilized capacity of hotels and airlines during slack demand cannot be stored for future when there will be a peak demand

27. It is a form of business that is owned, managed and controlled by an individual.

The Sole trader (Proprietor) performs the function of an investor, owner and labourer.

**Advantages:**

a) Quick decision making – No need to consult with others for decision making

b) Confidentiality of information – As the business operates by a single person, Secrecy can be maintained easily

c) Direct incentive - All the profit goes to the sole trader

d) Sense of accomplishment – Personal satisfaction by working for himself.

e) Ease of formation and closure – Only minimum legal formalities.

**Any 3 from questions 28-31, each carries 5 Score**

28. a) It is an economic activity which is concerned with the production, distribution and exchange of goods and services on regular basis with the object of earning profit.

Eg: Trading, Mining, manufacturing, fishing etc.....

**b) Features of Business**

a) An Economic Activity: Business is as an economic activity because it is undertaken with the objective of earning money (profit)

b) Production or Purchase of Goods and Services: Before goods are offered to people for consumption they must be either Produced or purchased by business enterprises.

c) Sale or Exchange of Goods and Services: In business there should be sale or exchange of goods or services between the seller and the buyer. If goods are produced not for the purpose of sale but for internal consumption, it can't be called as a business activity.

d) Regularity in dealing: Business involves dealing in goods and services on a regular basis. One single transaction never constitutes a business. Thus, if a person sells his old bike even at a profit never treat as a business activity.

e) Profit Motive: Profit Motive is an important distinguishing feature of business. No Business can survive for long without earning profit. It must earn profit for its Survival, growth and expansion. (Any 3 Points)

**29. Choice of form of business organization:**

The following factors are Important for taking decision about form of organisation.

- a) Cost and Ease in Setting up the organisation - Sole proprietorship is least expensive and can be formed without any legal formalities to be fulfilled. Company is most expensive with lot of legal formalities.
- b) Capital Consideration - Business requiring less amount of finance prefer sole proprietorship and partnership form, whereas business activities requiring huge financial resources prefer company form.
- c) Nature of Business - If the work requires personal attention such as tailoring unit, hair cutting saloon, it is generally set up as a sole proprietorship. Units engaged in large scale manufacturing are more likely to be organised in company form
- d) Degree of Control Desired - A person who desires full and exclusive control over business prefers proprietorship rather than partnership or Co. because control has to be shared in these cases.
- e) Liability or Degree of Risk - Projects which are not very risky can be organised in the form of sole proprietorship & partnership. Whereas the risky ventures should be done in company form of organisation because the liability of shareholders is limited.

**30. Any 5 points**

Basis	Traditional Business	E Business
a) Formation	Difficult	Simple
b) Physical presence	Required	Not required
c) Personal touch	Yes	No
d) Cost of setting up	High	Low
e) Operating cost	High	Low
f) Risk to Buyer	Low	High
g) Length of Business Cycle	Longer	Smaller

**31. a) FACTORING:** Direct selling of the account receivables of a business enterprises to a factoring firm which is specialised in management of account receivable. The firm which is specialised in the activity is called a Factor. The remuneration received by the Factor called Factoring Commission.

**b) Lease financing:** It is an arrangement of acquiring the right to use an asset without actually owing the same. The owner of asset is called lessor and the user is called the lessee. The lease rentals may be paid in the manner as agreed between the parties.

**Any 2 from questions 32-34, each carries 5 Score**

### **32. Partnership**

Sec.4 of the Indian Partnership Act defines a Partnership as “the relation between persons who have agreed to share profits of a business carried by all or any of them acting for all ”

#### **Advantages of Partnership:**

a) Easy Formation:

A partnership firm can be formed easily by putting an agreement between partners.

Registration is not compulsory. Closure of the firm is also simple.

b) 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.

c) Division of labour

Division of labour is possible in partnership. The work and responsibility can be distributed among partners according to their ability.

d) Balanced decision making

Collective decision making is possible in partnership. So they can take better decisions regarding their business.

#### **Disadvantages of Partnership**

a) Unlimited liability

The partners of a firm have unlimited liability. This may restrict them to take risky decisions. It may badly affect the growth of the business.

b) 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.

c) Limited Resources

There is a restriction on the number of partners in a firm. Therefore it is not possible to collect huge financial resources.

d) 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.

(Any 4 Advantages and 4 Disadvantages)

### 33. Commercial Banks

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. The important functions are:

Functions of commercial banks may be Primary functions and Agency or General Utility functions. The important functions are:

#### 1) Acceptance of Deposits:

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. Following are the different types of deposits.

- **Saving Account Deposits:** Savings accounts are for encouraging savings by individuals. The rate of interest is decided by RBI. It is comparatively less than fixed deposit. Customers can deposit any amount of money at any number of times, but the number and the amount of withdrawals are restricted.
- **Fixed Deposits:** This type of deposits are repayable only after a fixed period of time. So it is also known as time deposit. It have high rate of interest while comparing to Savings deposit.
- **Current Account Deposits:** Current Account Deposits can be withdrawn at any time if there is sufficient balance. Current Account Deposits are suitable for Businessman because they have many banking transactions per a day.

#### 2) Lending of Funds:

It is the second major function of commercial banks. They provide loans and advances out of the money received through deposits. Interest charged on lending of money is the main source of their income. Following are the different types of lending funds.

- Overdrafts
- Cash Credits
- Discounting of Bills
- Term Loans



➤ Consumer Credits

➤ Other Miscellaneous Advances

3) Cheque Facility:

It is the another important service provided by commercial banks. There are two types of cheques:

i) Bearer Cheques: It is encashable immediately at bank counters by bearer of the cheque

ii) Crossed Cheques: It is encashable only by depositing in the payee's account.

4) Remittance of Funds:

It is the another function of commercial bank that providing the facility of fund transfer from one place to another. It is done by using Bank Drafts, Pay Orders, Mail Transfers, Electronic Fund Transfer System (EFTS) and other Online Transfers.

5) Allied Services: In addition to above functions, banks also providing other services like Bill Payments, Locker

Facilities, Underwriting Services, Buying and Selling of Shares and Debentures and other personal services like payment of Insurance Premium, Collection of Dividend etc.....

### **34. Memorandum of Association**

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.

#### **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 the company must be stated in this clause. The name should not be identical with, or similar to the name of an existing company.

2. Situation Clause or Domicile Clause:

This clause specifies the name of the state in which the registered office of the company is situated. This clause determines the jurisdiction of the registrar of joint stock companies and of the court.

### 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.

### 4. Liability Clause:

This clause defines the liability of the members of the company. In case of a company limited by shares, the liability is limited to the nominal values of shares held by a shareholder. In case of company limited by guarantee, the liability of a member of shareholder is limited to the amount which he has undertaken to pay at the time of liquidation 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. A company 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 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.