



व्यवसायी अध्ययन Business Studies

कक्षा / Class XI
2025-26

विद्यार्थी सहायक सामग्री
Student Support Material



संदेश

विद्यालयी शिक्षा में शैक्षिक उत्कृष्टता प्राप्त करना एवं नवाचार द्वारा उच्च - नवीन मानक स्थापित करना केन्द्रीय विद्यालय संगठन की नियमित कार्यप्रणाली का अविभाज्य अंग है। राष्ट्रीय शिक्षा नीति 2020 एवं पी. एम. श्री विद्यालयों के निर्देशों का पालन करते हुए गतिविधि आधारित पठन-पाठन, अनुभवजन्य शिक्षण एवं कौशल विकास को समाहित कर, अपने विद्यालयों को हमने ज्ञान एवं खोज की अद्भुत प्रयोगशाला बना दिया है। माध्यमिक स्तर तक पहुँच कर हमारे विद्यार्थी सैद्धांतिक समझ के साथ-साथ, रचनात्मक - विशेषणात्मक एवं आलोचनात्मक चिंतन भी विकसित कर लेते हैं। यही कारण है कि वह बोर्ड कक्षाओं के दौरान विभिन्न प्रकार के मूल्यांकनों के लिए सहजता से तैयार रहते हैं। उनकी इस यात्रा में हमारा सतत योगदान एवं सहयोग आवश्यक है - केन्द्रीय विद्यालय संगठन के पाँचों आंचलिक शिक्षा एवं प्रशिक्षण संस्थान द्वारा संकलित यह विद्यार्थी सहायक- सामग्री इसी दिशा में एक आवश्यक कदम है। यह सहायक सामग्री कक्षा 9 से 12 के विद्यार्थियों के लिए सभी महत्वपूर्ण विषयों पर तैयार की गयी है। केन्द्रीय विद्यालय संगठन की विद्यार्थी सहायक- सामग्री अपनी गुणवत्ता एवं परीक्षा संबंधी - सामग्री संकलन की विशेषज्ञता के लिए जानी जाती है और शिक्षा से जुड़े विभिन्न मंचों पर इसकी सराहना होती रही है। मुझे विश्वास है कि यह सहायक सामग्री विद्यार्थियों की सहयोगी बनकर निरंतर मार्गदर्शन करते हुए उन्हें सफलता के लक्ष्य तक पहुँचाएगी।

शुभाकांक्षा सहित ।

निधि पांडे

आयुक्त , केन्द्रीय विद्यालय संगठन

PATRON

Smt. Nidhi Pandey, Commissioner, KVS

CO-PATRON

Dr. P. Devakumar, Additional Commissioner (Acad.), KVS (HQ)

CO-ORDINATOR

Ms. Chandana Mandal, Joint Commissioner (Training), KVS (HQ)

COVER DESIGN

KVS Publication Section

EDITORS

1. Mr. B L Morodia, Director, ZIET Gwalior
2. Ms. Menaxi Jain, Director, ZIET Mysuru
3. Ms. Shaheeda Parveen, Director, ZIET Mumbai
4. Ms. Preeti Saxena, In-charge Director, ZIET Chandigarh
5. Mr. Birbal Dhinwa, In-charge Director, ZIET Bhubaneswar

CONTENT CREATORS

Ms Ranju Jawa	PGT COMMERCE	PM SHRI KENDRIYA VIDYALAYA No. 01 Faridabad
Ms Pooja Rani	PGT COMMERCE	PM SHRI KENDRIYA VIDYALAYA NSG MANESAR
Ms Meenakshi	PGT COMMERCE	KENDRIYA VIDYALAYA MANDI
Mr Gaurav Kumar	PGT COMMERCE	KENDRIYA VIDYALAYA RECONG PEO
Mr Surender Kumar	PGT COMMERCE	PM SHRI KENDRIYA VIDYALAYA No. 02 AMBALA CANTT

INDEX

SL.No.	TOPIC	PAGE NO.
1	CBSE Curriculum 2025-26	1-7
3	Nature and Purpose of Business	8-15
4	Forms of Business Organisations	16-22
5	Public, Private and Global Enterprises	23-28
6	Business Services	29-39
7	Emerging Modes of Business	40-44
8	Social Responsibility of Business and Business Ethics	45-51
9	Sources of Business Finance	52-56
10	Small Business	57-61
11	Internal Trade	62-68
12	International Business	69-76
13	Sample Paper 1 solved	77-86
14	Sample Paper 2 solved	87-98
15	Sample Paper 3 solved	99-106
16	Instructions for Students	107-107

BUSINESS STUDIES (Subject Code 054)
CLASS–XI (2025-26)

Theory: 80 Marks

Project: 20 Marks

3 Hours

Units		Marks
Part A	Foundations of Business	
1	Nature and Purpose of Business	16
2	Forms of Business Organisations	
3	Public, Private and Global Enterprises	14
4	Business Services	
5	Emerging Modes of Business	10
6	Social Responsibility of Business and Business Ethics	
	Total	40
Part B	Finance and Trade	
7	Sources of Business Finance	20
8	Small Business	
9	Internal Trade	20
10	International Business	
	Total	40
	Project Work (One)	20

Part A: Foundation of Business

Concept includes meaning and features

Unit 1: Evolution and Fundamentals of Business

Content	After going through this unit, the student/ learner would be able to:
History of Trade and Commerce in India: Indigenous Banking System, Rise of Intermediaries, Transport, Trading Communities: Merchant Corporations, Major Trade Centres, Major Imports and Exports, Position of Indian Sub-Continent in the World Economy	<ul style="list-style-type: none"> To acquaint the History of Trade and Commerce in India
Business – meaning and characteristics	<ul style="list-style-type: none"> Understand the meaning of business with special reference to economic and non-economic activities. Discuss the characteristics of business.
Business, profession and employment – Concept	<ul style="list-style-type: none"> Understand the concept of business, profession and employment. Differentiate between business, profession and employment.

Objectives of business	<ul style="list-style-type: none"> • Appreciate the economic and social objectives of business. • Examine the role of profit in business.
Classification of business activities - Industry and Commerce	<ul style="list-style-type: none"> • Understand the broad categories of business activities- industry and commerce.
Industry-types: primary, secondary, tertiary Meaning and subgroups	<ul style="list-style-type: none"> • Describe the various types of industries.
Commerce-trade: (types-internal, external; wholesale and retail) and auxiliaries to trade; (banking, insurance, transportation, warehousing, communication, and advertising) – meaning	<ul style="list-style-type: none"> • Discuss the meaning of commerce, trade and auxiliaries to trade. • Discuss the meaning of different types of trade and auxiliaries to trade. • Examine the role of commerce-trade and auxiliaries to trade.
Business risk-Concept	<ul style="list-style-type: none"> • Understand the concept of risk as a special characteristic of business. • Examine the nature and causes of business risks.

Unit 2: Forms of Business organizations

Sole Proprietorship-Concept, merits and limitations	<ul style="list-style-type: none"> • List the different forms of business organizations and understand their meaning. • Identify and explain the concept, merits and limitations of Sole Proprietorship.
Partnership-Concept, types, merits and limitation of partnership, registration of a partnership firm, partnership deed. Types of partners	<ul style="list-style-type: none"> • Identify and explain the concept, merits and limitations of a Partnership firm. • Understand the types of partnership on the basis of duration and on the basis of liability. • State the need for registration of a partnership firm. • Discuss types of partners –active, sleeping, secret, nominal and partner by estoppel.
Hindu Undivided Family Business: Concept	<ul style="list-style-type: none"> • Understand the concept of Hindu Undivided Family Business.
Cooperative Societies-Concept, merits, and limitations.	<ul style="list-style-type: none"> • Identify and explain the concept, merits and limitations of Cooperative Societies. • Understand the concept of consumers, producers, marketing, farmers, credit and housing co-operatives.

Company - Concept, merits and limitations; Types: Private, Public and One Person Company – Concept	<ul style="list-style-type: none"> Identify and explain the concept, merits and limitations of private and public companies. Understand the meaning of one person company. Distinguish between a private company and a public company.
Formation of company - stages, important documents to be used in formation of a company	<ul style="list-style-type: none"> Highlight the stages in the formation of a company. Discuss the important documents used in the various stages in the formation of a company.
Choice of form of business organization	<ul style="list-style-type: none"> Distinguish between the various forms of business organizations. Explain the factors that influence the choice of a suitable form of business organization.

Unit 3: Public, Private and Global Enterprises

Public sector and private sector enterprises – Concept	<ul style="list-style-type: none"> Develop an understanding of Public sector and private sector enterprises
Forms of public sector enterprises: Departmental Undertakings, Statutory Corporations and Government Company	<ul style="list-style-type: none"> Identify and explain the features, merits and limitations of different forms of public sector enterprises
Global Enterprises – Feature Joint venture Public private partnership – concept	<ul style="list-style-type: none"> Develop an understanding of global enterprises, public private partnership by studying their meaning and features.

Unit 4: Business Services

Business services – meaning and types. Banking: Types of bank accounts - savings, current, recurring, fixed deposit and multiple option deposit account	<ul style="list-style-type: none"> Understand the meaning and types of business services. Discuss the meaning and types of Business service Banking Develop an understanding of difference types of bank account.
Banking services with particular reference to Bank Draft, Bank Overdraft, Cash credit. E-Banking: meaning, types of digital payments	<ul style="list-style-type: none"> Develop an understanding of the different services provided by banks
Insurance – Principles. Types – life, health, fire and marine insurance – concept	<ul style="list-style-type: none"> Recall the concept of insurance Understand Utmost Good Faith, Insurable Interest, Indemnity, Contribution, Doctrine of Subrogation and Causa Proxima as principles of insurance Discuss the meaning of different

	types of insurance-life, health, fire, marine insurance.
Postal Service - Mail, Registered Post, Parcel, Speed Post, Courier - meaning	<ul style="list-style-type: none"> Understand the utility of different telecom services

Unit 5: Emerging Modes of Business

E - business: concept, scope and benefits	<ul style="list-style-type: none"> Give the meaning of e-business. Discuss the scope of e-business. Appreciate the benefits of e-business Distinguish e-business from traditional business.
---	---

Unit 6: Social Responsibility of Business and Business Ethics

Concept of social responsibility	<ul style="list-style-type: none"> State the concept of social responsibility.
Case of social responsibility	<ul style="list-style-type: none"> Examine the case for social responsibility.
Responsibility towards owners, investors, consumers, employees, government and community	<ul style="list-style-type: none"> Identify the social responsibility towards different interest groups.
Role of business in environment protection	<ul style="list-style-type: none"> Appreciate the role of business in environment protection.
Business Ethics - Concept and Elements	<ul style="list-style-type: none"> State the concept of business ethics. Describe the elements of business ethics.

Part B: Finance and Trade

Unit 7: Sources of Business Finance

Concept of business finance	<ul style="list-style-type: none"> State the meaning, nature and importance of business finance.
Owners' funds- equity shares, preferences share, retained earnings	<ul style="list-style-type: none"> Classify the various sources of funds into owners' funds. State the meaning of owners' funds.
Borrowed funds: debentures and bonds, loan from financial institution and commercial banks, public deposits, trade credit, Inter Corporate Deposits (ICD)	<ul style="list-style-type: none"> State the meaning of borrowed funds. Discuss the concept of debentures, bonds, loans from financial institutions and commercial banks, Trade credit and inter corporate deposits. Distinguish between owners' funds and borrowed funds.

Unit 8: Small Business and Enterprises

Entrepreneurship Development (ED): Concept, Characteristics and Need. Process of Entrepreneurship Development: Start-up India Scheme, ways to fund start-up. Intellectual Property Rights and Entrepreneurship	<ul style="list-style-type: none">• Understand the concept of Entrepreneurship Development (ED), Intellectual Property Rights
Small scale enterprise as defined by MSMED Act 2006 (Micro, Small and Medium Enterprise Development Act)	<ul style="list-style-type: none">• Understand the meaning of small business
Role of small business in India with special reference to rural areas	<ul style="list-style-type: none">• Discuss the role of small business in India
Government schemes and agencies for small scale industries: National Small Industries Corporation (NSIC) and District Industrial Centre (DIC) with special reference to rural, backward areas	<ul style="list-style-type: none">• Appreciate the various Government schemes and agencies for development of small scale industries. NSIC and DIC with special reference to rural, backward area.

Unit 9: Internal Trade

Internal trade - meaning and types services rendered by a wholesaler and a retailer	<ul style="list-style-type: none">• State the meaning and types of internal trade.• Appreciate the services of wholesalers and retailers.
Types of retail-trade-Itinerant and small scale fixed shops retailers	<ul style="list-style-type: none">• Explain the different types of retail trade.
Large scale retailers-Departmental stores, chain stores – concept	<ul style="list-style-type: none">• Highlight the distinctive features of departmental stores, chain stores and mail order business.
GST (Goods and Services Tax): Concept and key-features	<ul style="list-style-type: none">• Understand the concept of GST

Unit 10: International Trade

International trade: concept and benefits	<ul style="list-style-type: none">• Understand the concept of international trade.• Describe the scope of international trade to the nation and business firms.
Export trade – Meaning and procedure	<ul style="list-style-type: none">• State the meaning and objectives of export trade.• Explain the important steps involved in executing export trade.
Import Trade - Meaning and procedure	<ul style="list-style-type: none">• State the meaning and objectives

	<p>of import trade.</p> <ul style="list-style-type: none"> • Discuss the important steps involved in executing import trade.
Documents involved in International Trade; indent, letter of credit, shipping order, shipping bills, mate's receipt (DA/DP)	<ul style="list-style-type: none"> • Develop an understanding of the various documents used in international trade. • Identify the specimen of the various documents used in international trade. • Highlight the importance of the documents needed in connection with international trade transactions
World Trade Organization (WTO) meaning and objectives	<ul style="list-style-type: none"> • State the meaning of World Trade Organization. • Discuss the objectives of World Trade Organization in promoting international trade.

Unit 11: Project Work

As per CBSE guidelines.

Suggested Question Paper Design
Business Studies (Subject Code 054)
Class XI (2025-26)
March 2026 Examination

Marks: 80

Duration: 3 hrs.

SN	Typology of Questions	Marks	Percentage
1	Remembering and Understanding: Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers. Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas	32	40%
2	Applying: Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way	24	30%
3	Analysing, Evaluating and Creating: Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalizations. Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria. Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.	24	30%
	Total	80	100%

Ch-01: Evolution and Fundamentals of Business

History of Trade and Commerce:-

India has Himalayas in the north, bordered by water in south. India got connected to adjoining foreign countries through the network of roads leading to the Silk **Route**. The maritime routes linked the east and west by sea and were used for trade of species known as a **Spice Route**.

Major Trade Centres in ancient times

1. Pataliputra: Known as Patna today. It was not only a commercial town, but also a major centre for export of stones.
2. Peshawar: It was an important exporting centre for wool and for the import of horses. It had a huge share in commercial transactions between India, China and Rome in the first century A.D.
3. Taxila: It served as a major centre on the important land route between India and Central Asia. It was also a city of financial and commercial banks. The city occupied an important place as a Buddhist centre of learning. The famous Taxila University flourished here.
4. Indraprastha: It was the commercial junction on the royal road where most routes leading to the east, west, south and north converged.
5. Mathura: It was an emporium of trade and people here subsisted on commerce. Many routes from South India touched Mathura and Broach.
6. Varanasi: It was well placed as it lay both on the Gangetic route and on the highway that linked North with the East. It grew as a major centre of textile industry and became famous for beautiful gold silk cloth and sandalwood workmanship. It had links with Taxila and Bharuch.
7. Mithila: The traders of Mithila crossed the seas by boats, through the Bay of Bengal to the South China Sea, and traded at ports on the islands of Java, Sumatra and Borneo. Mithila established trading colonies in South China, especially in Yunnan.
8. Ujjain: Agate, carnelian, muslin and mallow cloth were exported from Ujjain to different centres. It also had trade relations through the land route with Taxila and Peshawar.
9. Surat: It was the emporium of western trade during the Mughal period. Textiles of Surat were famous for their gold borders (zari). It is noteworthy that Surat hundi was honoured in far off markets of Egypt and Iran.
10. Kanchi: Today known as Kanchipuram, it was here that the Chinese used to come in foreign ships to purchase pearls, glass and rare stones and in return they sold gold and silk.
11. Madura: It was the capital of the Pandayas who controlled the pearl fisheries of the Gulf of Mannar. It attracted foreign merchants, particularly Romans, for carrying out overseas trade.

12. Broach: It was the greatest seat of commerce in Western India. It was situated on the banks of river Narmada and was linked with all important marts by roadways.

13. Kaveripatta: Also known as Kaveripatnam, it was scientific in its construction as a city and provided loading, unloading and strong facilities of merchandise. Foreign traders had their headquarters in this city. It was a convenient place for trade with Malaysia, Indonesia, China and the Far East. It was the centre of trade for perfumes, cosmetics, scents, silk, wool, cotton, corals, pearls, gold and precious stones; and also, for ship building.

14. Tamralipti: It was one of the greatest ports connected both by sea and land with the West and the Far East. It was linked by road to Banaras and Taxila.

Hundi: It is an instrument of exchange used in old times which involved a contract that warrants the payment of money, a promise or order which is unconditional, and can be exchanged through transfer by valid negotiation.

<i>Hundi as practised by Indian Merchant Communities</i>		
<i>Dhani-jog</i>	<i>Darshani</i>	Payable to any person—no liability over who received payment.
<i>Sah-jog</i>	<i>Darshani</i>	Payable to a specific person, someone 'respectable'. Liability over who received payment.
<i>Firman-jog</i>	<i>Darshani</i>	<i>Hundi</i> made payable to order.
<i>Dekhan-har</i>	<i>Darshani</i>	Payable to the presenter or bearer.
<i>Dhani-jog</i>	<i>Muddati</i>	Payable to any person—no liability over who received payment, but payment over a fixed term.
<i>Firman-jog</i>	<i>Muddati</i>	<i>Hundi</i> made payable to order following a fixed term.
<i>Jokhmi</i>	<i>Muddati</i>	Drawn against dispatched goods. If goods lost in transit, the drawer or holder bears the costs, and the Drawee carries no liability.

CONCEPT OF BUSINESS

Business is an economic activity which involves production, purchase, sale or distribution of goods and services on a regular basis with a purpose of earning income or profits through the satisfaction of human needs.

Characteristics of Business

1. An Economic Activity
2. Production or Procurement of Goods and Services : -.
3. Sale or Exchange of Goods and Services :
4. Dealing in Goods and Services on a Regular Basis/Regular Dealing: -.
5. Profit Earning:-.
6. Uncertainty of Return:
7. Element of Risk: -

Objectives of Business



Economic Objectives of Business

- 1) Profit Earning-.
- 2) Market Share / Creation of Customers
- 3) Innovation & Utilization of Resources
- 4) Increasing Productivity-

Social objectives

- 1) Providing goods and services at reasonable prices
- 2) Generating employment opportunities
- 3) Fair remuneration to employees
- 4) Community service

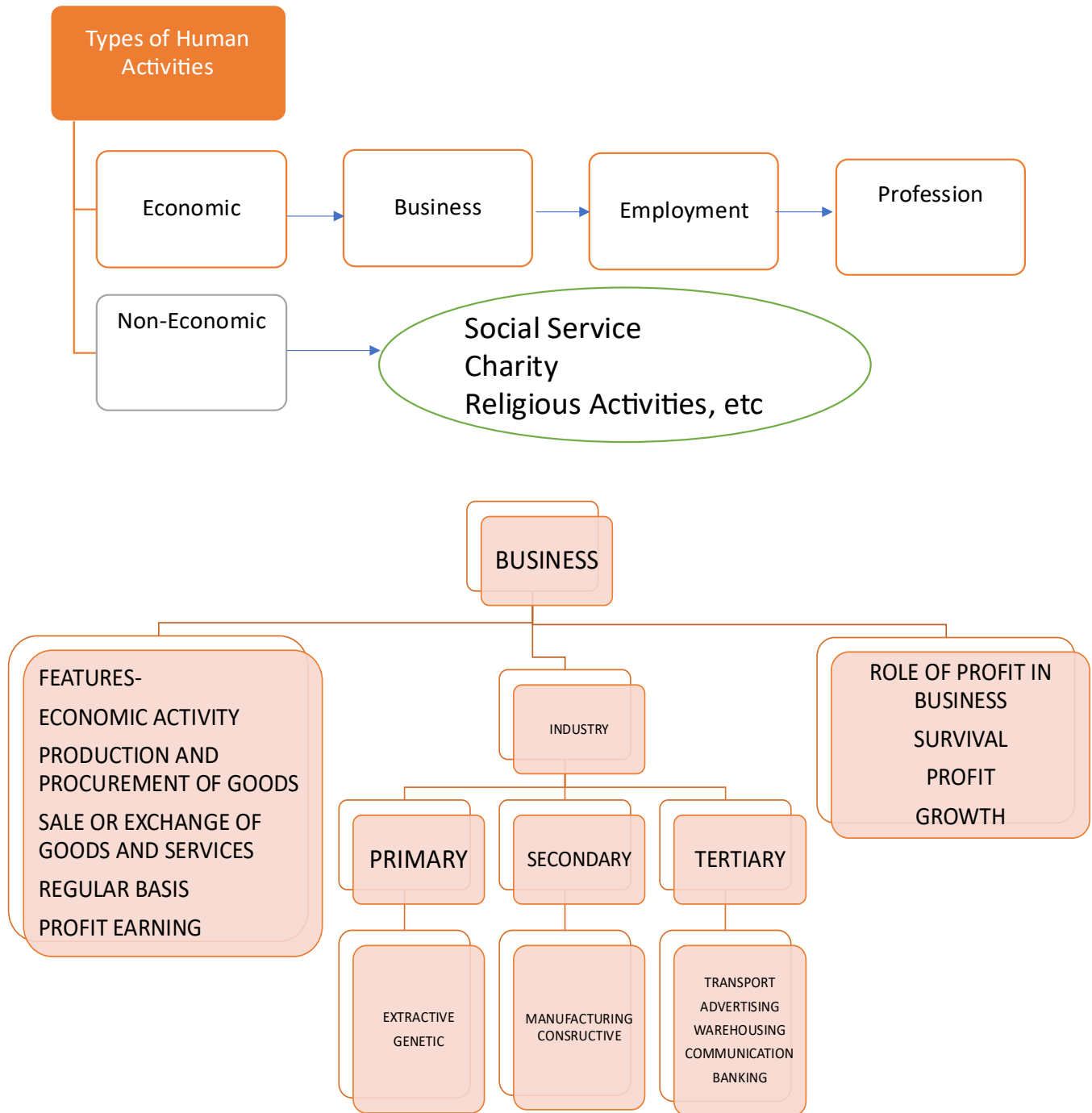
Role of Profit in the Business -

1. Profit and Economic Development-.
2. Continuity of Business-.
3. Expansion and Growth of Business-.
4. Reward of Risk Bearing-.
5. Sources of Income-.

TYPES OF ECONOMIC ACTIVITIES:

1. Business
2. Profession
3. Employment

Mind- Map



COMMERCE: - Commerce includes two types of activities, viz.,
 (i) trade and (ii) auxiliaries to trade.

TRADE:

Auxiliaries to Trade 1. Transport and Communication

2. Banking and Finance:

3. Insurance:

4. Warehousing:

5. Advertising:

BUSINESS RISKS: -

1) Pure Risk

2) Speculative Risk

Nature of Business Risks: -

(i) Business risks arise due to uncertainties.

(ii) Risk is an essential part of every business:

(iii) Degree of risk depends mainly upon the nature and size of business:

(iv) Profit is the reward for risk taking:

Cause of Business Risks: -

(i) Natural causes

(ii) Human causes

(iii) Economic causes

(iv) Other causes

Multiple Choice Questions

1) Tanya is a practicing Chartered Accountant. She has her C.A. Firm in Bangalore. She deals in providing Income Tax and GST related services to her clients against very reasonable consultancy fees. Identify the type of economic activity performed by Tanya as referred to in the above case.

(a) Business (b) Profession (c) Employment (d) None of the above **ANS(B)**

2) Which of the following cannot be classified as an auxiliary to trade?

(a) Mining (b) Insurance (c) Warehousing (d) Transport **ANS(A)**

3) Mr. Kumar is engaged in the business of Importing machinery from China and further selling it to Nepal. Which type trade is Mr. Kumar engaged in ?

(a) Export (b) Import (c) Entrepot (d) None of the Above **ANS(C)**

Competency Based Question

1) "Kripalu" is an NGO operating in the district. It deals in providing medicines and other medical facilities to the rural, backward, and below-poverty-line people in the district. In case of need, arrangements are made by the NGO to shift critical patients to referred hospitals. Name the type of human activities performed by the NGO "Kripalu".

(a) Economic Activities

(b) Non-Economic Activities

(c) Spiritual Activities

(d) None of the above

ANS(b)

2) Sunita bought a readymade dress for Rs.5,000. Her friend liked the design of the dress very much, so Sunita sold the same dress to her friend without charging anything. After completing her studies, Sunita opened a shop selling readymade dresses for girls.

a) Can a transaction between Sunita and her friend be termed as Business? Give reason in support of your answer.

b) Can the sale of dresses in her shop be called Business?

Answer :

(a) No. The transaction between Sunita and her friend cannot be termed as Business. This is because the exchange of dress is done without any consideration. Also, profit motive is not involved and the transaction is not done on a regular basis.

(b) Yes, the sale of dresses in her shop will be called Business as the shop is opened with the motive of earning profit through regular transactions of exchange of dress for money.

3) These days almost all corporate offices adopt parks or roads near to their office complex for maintenance.

(a) Which objective do they try to achieve by doing so?

(b) Name and explain the other two objectives of the business.

Answer :

Social Objectives. Business diverts the profits earned to maintain the public property, this way they are able to help society and the employees working in the areas by providing well maintained facilities. This helps them to create awareness about the company and builds company image.

Other two objectives of the business are :

Economic Objectives (Explain) ii. Human Objectives (Explain)

Assertion Reasoning Question

1)Assertion (A): Economic activities are undertaken to earn money.

Reason (R): Economic activities include business, profession, and employment.

Options:

a) Both A and R are true, and R is the correct explanation of A.

b) Both A and R are true, but R is not the correct explanation of A.

c) A is true, but R is false.

d) A is false, but R is true.

Answer: a) Both A and R are true, and R is the correct explanation of A.

Explanation: Economic activities aim to earn livelihood, and they are categorized into business, profession, and employment.

2)Assertion (A): Business risks can be eliminated completely with proper planning.

Reason (R): All business activities involve some degree of uncertainty.

Options:

- a) Both A and R are true, and R is the correct explanation of A.
- b) Both A and R are true, but R is not the correct explanation of A.
- c) A is true, but R is false.
- d) A is false, but R is true

Answer: d) A is false, but R is true.

Explanation: Risks in business cannot be eliminated, only minimized. Uncertainty is inherent in business.

3)Assertion (A): Profit maximization is the sole objective of business.

Reason (R): Business has to fulfill social responsibilities apart from earning profit.

Options:

- a) Both A and R are true, and R is the correct explanation of A.
- b) Both A and R are true, but R is not the correct explanation of A.
- c) A is true, but R is false.
- d) A is false, but R is true

Answer: d) A is false, but R is true.

Explanation: Profit is important, but not the only objective. Social responsibilities are also crucial.

CASE BASED QUESTION

1)Rohit and Mohit are partners selling electronic products across India. They import the components from their friend Aman who does his business in China and assemble them in their factory established in a rural area of Jharkhand where most of the workers in the factory are children and women. They are paid very less salaries thus the owner saves on labour costs. They store their stocks in a warehouse but do not take proper safety measures against fire, burglary. There was a short circuit in the factory and as a result most of the stock was damaged. On the basis of the given information, answer the following questions:

- a) Specify the type of business activity performed by Rohit and Mohit.
- b) Specify the type of business activity performed by Aman.
- c) Name and explain the auxiliary to trade used by Rohit and Mohit.

Answer:

- a) Rohit and Mohit are engaged in an Industrial Activity (Secondary Industry: Assembling).

- b) The business activity performed by Aman is Trade (Export trade)
- c) The auxiliary to trade used by Rohit and Mohit is warehousing.

Warehousing: It helps business firms to overcome the problem of storage and facilitates the availability of goods. It assists in curbing hindrances of time

2) These days almost all corporate offices adopt parks or roads near to their office complex for maintenance.

(a) Which objective do they try to achieve by doing so?

(b) Name and explain the other two objectives of the business.

Answer :

Social Objectives. Business diverts the profits earned to maintain the public property, this way they are able to help society and the employees working in the areas by providing well maintained facilities. This helps them to create awareness about the company and builds company image.

Other two objectives of the business are :

Economic Objectives (Explain) ii. Human Objectives (Explain)

3) Rahul and Sahil completed their studies and planned to start their own business instead of looking for a job. Rahul's father is working in Portland cement manufacturing company as supervisor. He told them that common materials used to manufacture cement include limestone, shells, and chalk combined with clay, slate, blast furnace slag, silica sand, and iron ore. He also told them that limestone is most often mined from a quarry which is done by Antra Ltd. He told them that his company is facing a problem of storing the limestone because of a shortage of space. This gave them an idea to start a warehousing business. On the basis of the given information, answer the following questions:

- a) Identify the different types of industries being discussed in the above case.
- b) Specify the category of type of industries to which the industries identified in part(a).

Answer:

a) The different types of industries being discussed above are: Portland Cement Company: Secondary industry. Antra Ltd.: Primary industry. Warehouse Business: Tertiary industry.

b) The category of aforesaid industries is

I. Portland Cement Company: Manufacturing industry. (Synthetic industry)

II Antra Ltd.: Primary industry: Extracting

III. Tertiary Industry

Ch-2: Forms of Business Organizations

Introduction

A business organization refers to the legal structure through which business activities are conducted. The choice of form depends on the nature, size, ownership, and liability preferences of the owners.

1. Sole Proprietorship

Definition: A form of business owned and managed by a single individual who provides capital and assumes all risks.

Features:

- Single ownership
- Unlimited liability
- Sole risk bearer and profit recipient
- No legal formalities (except licenses)
- Lack of continuity

Advantages:

- Easy to start and close
- Direct motivation
- Quick decision making
- Personal touch with customers

Limitations:

- Limited capital
- Unlimited liability
- Limited managerial skills
- No continuity (ends with owner's death or disability)

2. Partnership

Definition: A business owned by two or more persons who agree to share profits and losses as per a mutual agreement.

- Governing Law: Indian Partnership Act, 1932
- Minimum and Maximum Members: 2 to 50

Features:

- Mutual agency
- Joint decision making
- Unlimited liability
- Registration is not mandatory but recommended

Partnership Deed: A written agreement that defines rights, duties, and obligations of partners.

Types of Partners

Partner	Contribution of Capital	Management	Profit/Loss Sharing	Liability
1. Active	Yes	Yes	Yes	Unlimited
2. Sleeping	Yes	No	Yes	Unlimited
3. Secret	Yes	Yes, but secretly	Yes	Unlimited
4. Nominal	No	No	Generally, Yes	Unlimited
5. Partner by Estoppel	No	No	No	Unlimited

Types of partnership:

Partnership can be categorized on the basis of duration and liability:

Classification on the basis of duration:

(i) Partnership at will: Partnership continues till the partners agree to do so.

(ii) Particular partnership: The partnership formed for a specific task for project or for a specific period of time. It comes to an end after completion of task or expiry of time.

Classification on the basis of liability:

(i) General partnership: Partnership where all partners have joint and unlimited liability.

(ii) Limited partnership: Partnership where all partners have limited liability & at least one partner must have unlimited liability.

3. Hindu Undivided Family (HUF)

Definition: A business owned by the members of a joint Hindu family governed by Hindu Law.

- Ownership: Only male members (coparceners) can manage.
- Karta: The eldest male member who manages the business and has unlimited liability; other members have limited liability.
- Continuity: Business continues despite the death of a coparcener.

4. Cooperative Societies

Definition: A voluntary association of people formed for mutual benefit, registered under the Cooperative Societies Act, 1912.

- Principle: One man, one vote
- Minimum Members: 10

Key Features:

- ✦ Open membership
- ✦ Democratic management
- ✦ Limited return on capital
- ✦ Service motive
- ✦ Separate legal entity

Types:

- Consumer Cooperative
- Credit Cooperative
- Producer Cooperative
- Housing Cooperative
- Marketing Cooperative

Merits:

- Equality in voting
- Limited liability
- Stability and continuity

Limitation:

- Limited resources
- Inefficiency due to lack of profit motive

5. Joint Stock Company

Definition: An artificial person created by law with perpetual succession and separate legal identity. It can sue and be sued.

- Governing Law: Companies Act, 2013

Types:

- Private Company: Members: 2 to 200; Restrictions on share transfer; Cannot invite public for capital
- Public Company: Minimum 7 members; No restriction on share transfer; Can raise capital from public
- One Person Company (OPC): Single shareholder; Separate legal status

One Person Company or OPC: According to Sec.2 (62) of the Companies Act, 2013, 'company which has only 1 person as a shareholder'. Rule number 3 of the Companies (Incorporation) Rules, 2014 says that:

- Only a natural person who is an Indian citizen & an Indian resident can form 1 person company.
- It cannot execute non-banking financial investment pursuits.
- It is paid-up share capital which is not more than ₹ 50 Lakhs.
- Its aggregate annual turnover of 3 years does not cross ₹ 2 Crores.

Few Terms

Qualification Shares To ensure that the directors have some stake in the proposed company, the Articles usually have a provision requiring them to buy a certain number of shares. They have to pay for these shares before the company obtains Certificate of Commencement of Business. These are called Qualification Shares.

Preliminary Contracts During the promotion of the company, promoters enter into certain contracts with third parties on behalf of the company. These are called preliminary contracts or pre-incorporation contracts. These are not legally binding on the company. A company after coming into existence may, if it so chooses, decide to enter into fresh contracts with the same terms and conditions to honour the contracts made by the promoters. Note that it cannot ratify a preliminary contract. A company thus cannot be forced to honour a preliminary contract.

Basis	Public company	Private company
1. Members	Minimum - 7 Maximum – unlimited.	Minimum - 2 Maximum - 200.
2. Minimum number of directors	Three.	Two.
3. Index of members	Compulsory.	Not compulsory.
4. Transfer of shares	No restriction.	Restriction on transfer.
5. Invitation to public to subscribe to	Can invite the public to subscribe to its shares or debentures.	Cannot invite the public to subscribe to its securities.

Documents Required:

- Memorandum of Association (MOA)
- Articles of Association (AOA)
- Prospectus (in case of public companies)

Merits:

- Limited liability
- Transferability of shares
- Continuity
- Ability to raise large capital

Limitations:

- Complex formation
- Delay in decision making
- Lack of secrecy

6. Formation of a Company

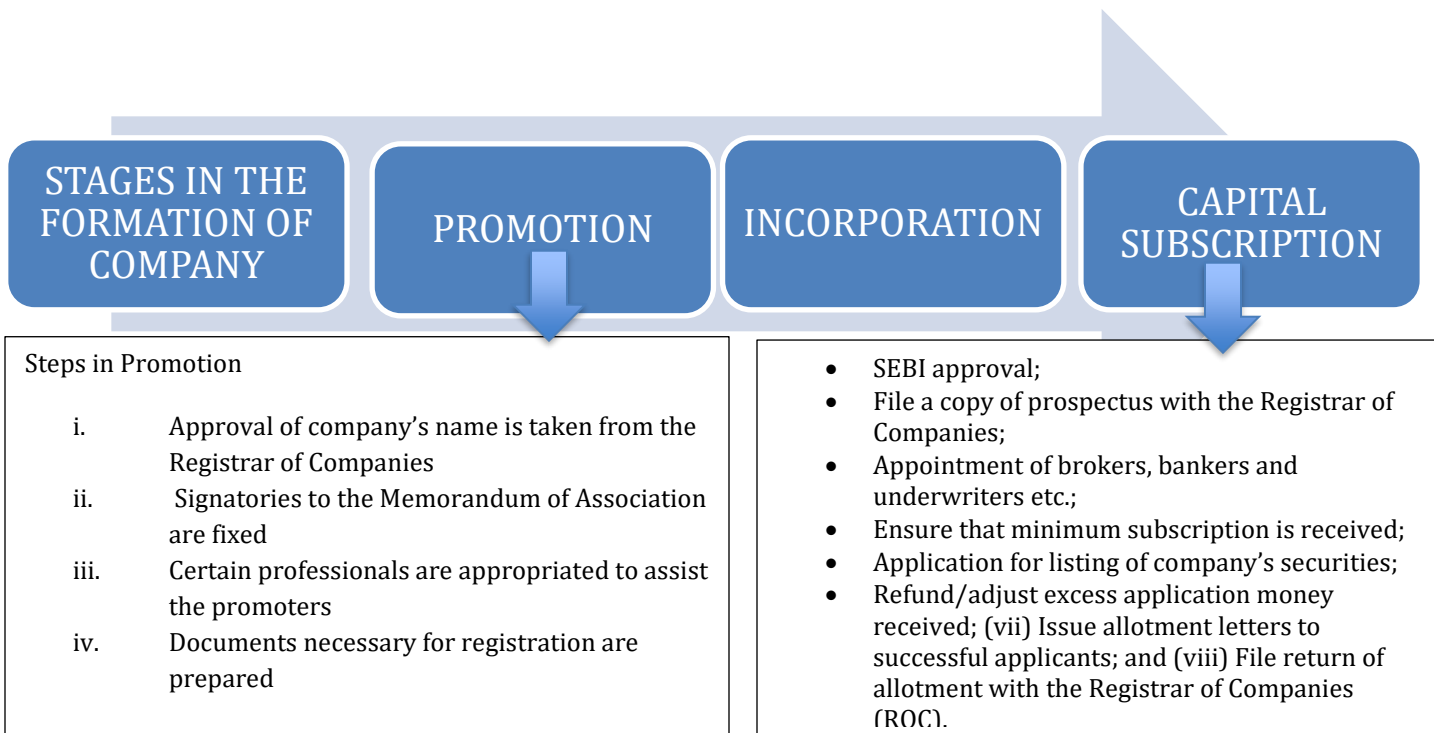
- Promotion: Idea generation and planning
- Incorporation: Legal registration
- Subscription: Raising capital (for public companies)
- Commencement: Certificate to start business operations

Basis of Difference	Memorandum of Association (MoA)	Article of Association (AoA)
1. Objectives	The purposes for which the company's internal rules are developed are defined in the Memorandum of Association.	The company's management is governed by the articles of association. They describe how the company's goals will be met.
2. Position	This is the company's primary document and it is governed by the Companies Act.	This is a supporting document that exists along side the Memorandum of Association & the Companies Act.
3. Relationship	The company's interaction with outsiders is defined by the Memorandum of Association.	Articles clarify the members' and company's connection.
4. Validity	Acts that go beyond the Memorandum of Association are void and cannot be ratified by the members even if they vote unanimously.	Members can ratify acts that go beyond the Articles as long as they don't contradict the Memorandum.
5. Necessity	A Memorandum of Association is required for every business.	Articles of Association are not required to be filed by a public limited business. Table F of the Companies Act of 2013 may be adopted.

MIND MAP

FORMS OF BUSINESS ORGANISATION

SOLE PROPRIETORSHIP FEATURES Formation and Closure, Liability, Sole risk bearer, No separate entity Control, Lack of continuity	PARTNERSHIP Formation, Liability, Risk Bearing, Continuity, No of Partners(2-50)	HUF Formation, Liability, Control, Continuity	COOPERATIVE SOCIETIES Voluntary membership, Legal status, limited liability, One man one vote, Service	JOINT STOCK COMPANY Artificial person, Limited Liability, Separate legal entity, Perpetual succession, control, Common seal
--	--	--	--	--



Multiple Choice Questions (MCQs)

1 Which of the following is a feature of a sole proprietorship?

A. Easy formation B. Separate legal entity C. Limited liability D. Perpetual existence

Answer: A

2. In which form of business organisation is registration compulsory under the Companies Act?

A. Sole proprietorship B. Partnership C. Joint Hindu Family D. Company

Answer: D

3. Which form of business organisation has unlimited liability?

- A. Company B. Partnership C. Co-operative society D. All of the above

Answer: B

Case-Based Questions (CBQs)

1. Ravi started a business as a sole proprietor. He manages the business on his own and bears all the risks. After two years, he decides to convert it into a partnership. Identify the form of business Ravi initially started and state any two features of that form.

Answer: Sole proprietorship; Features: (i) Sole risk bearer, (ii) Full control

2. A group of people formed an association voluntarily to protect the interests of weaker sections of society. The members contribute capital equally and enjoy equal rights. Identify the form of organisation and state two features.

Answer: Co-operative society; Features: (i) Voluntary association, (ii) One man one vote

3. A company has a separate legal entity and is owned by shareholders. It is managed by a board of directors. Identify the form and state two merits.

Answer: Company; Merits: (i) Limited liability, (ii) Perpetual existence

Assertion and Reason Questions (ARQs)

1. Assertion (A): A sole proprietorship can be formed without legal formalities.

Reason (R): It is not governed by any specific act.

Answer: Both A and R are true, and R is the correct explanation of A.

2. Assertion (A): A company enjoys perpetual succession

Reason (R): The death or insolvency of a member affects the continuity of business.

Answer: A is true, but R is false.

3. Assertion (A): In a partnership, partners share profits and losses equally unless stated otherwise.

Reason (R): The Indian Partnership Act governs partnership firms.

Answer: Both A and R are true, but R is not the correct explanation of A.

Case Studies

1. Mohan wants to start a business with his two friends. They want to share profits, bring capital, and manage the business together. Identify the form of business and state two characteristics.

Answer: Partnership; Characteristics: (i) Mutual agency, (ii) Risk sharing

2. A company was formed under the Companies Act. It can sue and be sued in its own name. It has a distinct legal identity. Identify the form and mention two benefits of this feature.

Answer: Company; Benefits: (i) Limited liability, (ii) Transferability of shares

3. A family business is run by members of a Hindu Undivided Family (HUF). The eldest male member is the Karta who manages it. Identify the form and state two features.

Answer: Joint Hindu Family Business; Features: (i) Karta has full control, (ii) Membership by birth

Ch-3 Private, Public and Global Enterprises

Private and Public Sectors

Private Sector: The private sector consists of business owned by individuals or a group of individuals. The various forms of organization are sole proprietorship, partnership, Joint Hindu family business, Cooperative societies and Company.

Public Sector: The public sector consists of various organizations owned and managed by the government. These organizations may either be partly or wholly owned by the central or state government. They may be a part of the ministry or come into existence by a Special Act of Parliament.

Forms of Public Sector Enterprises

1. Departmental Undertakings
2. Statutory Corporations
3. Government Companies

Departmental Undertakings : A departmental undertaking is run through a ministry by Civil servants. It is under the ultimate control of the minister concerned. It is financed by the Government budget and is subject to all the rules and regulations of the Government. It is wholly owned by the Government. Examples: (a) Railways, (b) Posts and Telegraph, etc.

Features:

1. No separate entity,
2. Management and Control,
3. No financial autonomy,
4. Accounting Control,
5. Decision making,
6. Accountability.

Merits of Departmental Undertakings

1. Effective Control ,
2. Public Accountability,
3. Increase in Government Income,
4. National Security

Limitations of Departmental undertakings

1. Inflexibility,
2. Lack of Prompt action,
3. Bureaucracy,
4. Red Tapism,
5. Political interference,
6. Absence of competition

Public Corporations or Statutory Corporations

Statutory corporations are public enterprises brought into existence by a Special Act of the Parliament. This is a corporate body created by legislature with defined powers and functions and financially independent with a clear control over a specified area or a particular type of commercial activity.

Examples : Life Insurance Corporation; Central Warehousing Corporation; Indian Airlines Corporation; Food Corporation of India, etc.

Features of Public Corporations/Statutory Corporations

1. Formed by law of Corporations,
2. Separate Legal Existence,
3. Ownership,
4. Economic Dependence,
5. Appointment of employees,
6. Financial.

Merits of Public Corporations/Statutory Corporations

1. Autonomy in operation,
2. Quick decisions,
3. Service motive,
4. Professional management,
5. Efficient staff,
6. Economic development

Limitations of Public corporation/Statutory Corporations

1. Incomplete Operational autonomy,
2. Political interference,
3. Monopoly,
4. Nominated Board.

Government Company According to the Indian Companies Act, 2013, a Government Company means any company in which not less than 51 percent of the paid up capital is held by the Central Government, or by any State Government or partly by Central Government and Partly by one or more State Government. Example: Hindustan Machine Tools Ltd., Bharat Heavy Electricals Ltd., Steel Authority of India Ltd., etc.

Features of Government Company

1. Registration,
2. Separate legal entity,
3. Efficient staff,
4. Financial autonomy,
5. Accountability

Merits of Government Company

1. Easy formation,
2. Administrative Autonomy,
3. Collaboration,
4. Efficient management.

Limitations of Government Company

1. Lack of responsibility,
2. Incomplete operational autonomy,
3. Board packed with government representative.

Global Enterprises (Multinational Companies) Global Enterprises are huge industrial organizations which extend their industrial and marketing operations through a network of their branches in several countries.

Features of Global Enterprises (Multinational Companies)

1. Huge capital resources,
2. Foreign collaboration,
3. Advanced technology,
4. Product innovation,
5. Marketing strategies,
6. Expansion of market territory,
7. Centralized control

Merits of Multinational Companies (Multinational Companies)

1. Advanced technology,
2. Healthy Competition,
3. Growth of domestic firms,
4. Improve Standard of living,
5. Inflow of foreign capital,
6. World economy,
7. Employment opportunities.

Limitations of Multinational Companies (Multinational Companies)

1. Creation of Monopoly,
2. Obsolete technology,
3. Disregard of national priorities,
4. Threat to national sovereignty,
5. Depletion of natural resources

Joint Ventures

When two businesses agree to join together for a common purpose and mutual benefit, it give rise to a joint venture.

Features of Joint Ventures

1. Increased resources and capacity,
2. Access to new markets and distribution networks,
3. Access to technology,
4. Innovation,
5. Low cost of production,
6. Established brand name

Merits of Joint Ventures

1. Low cost of production,
2. Established brand name,
3. Access to new markets and distribution networks,
4. Innovation,
5. Increased resources and capacity,
6. Access to technology.

Public Private Partnership

Public Private Partnership is legally binding contract between government and private business firm for the provision of public assets or public services for the benefit of the public. It is a long term partnership between public and private sectors.

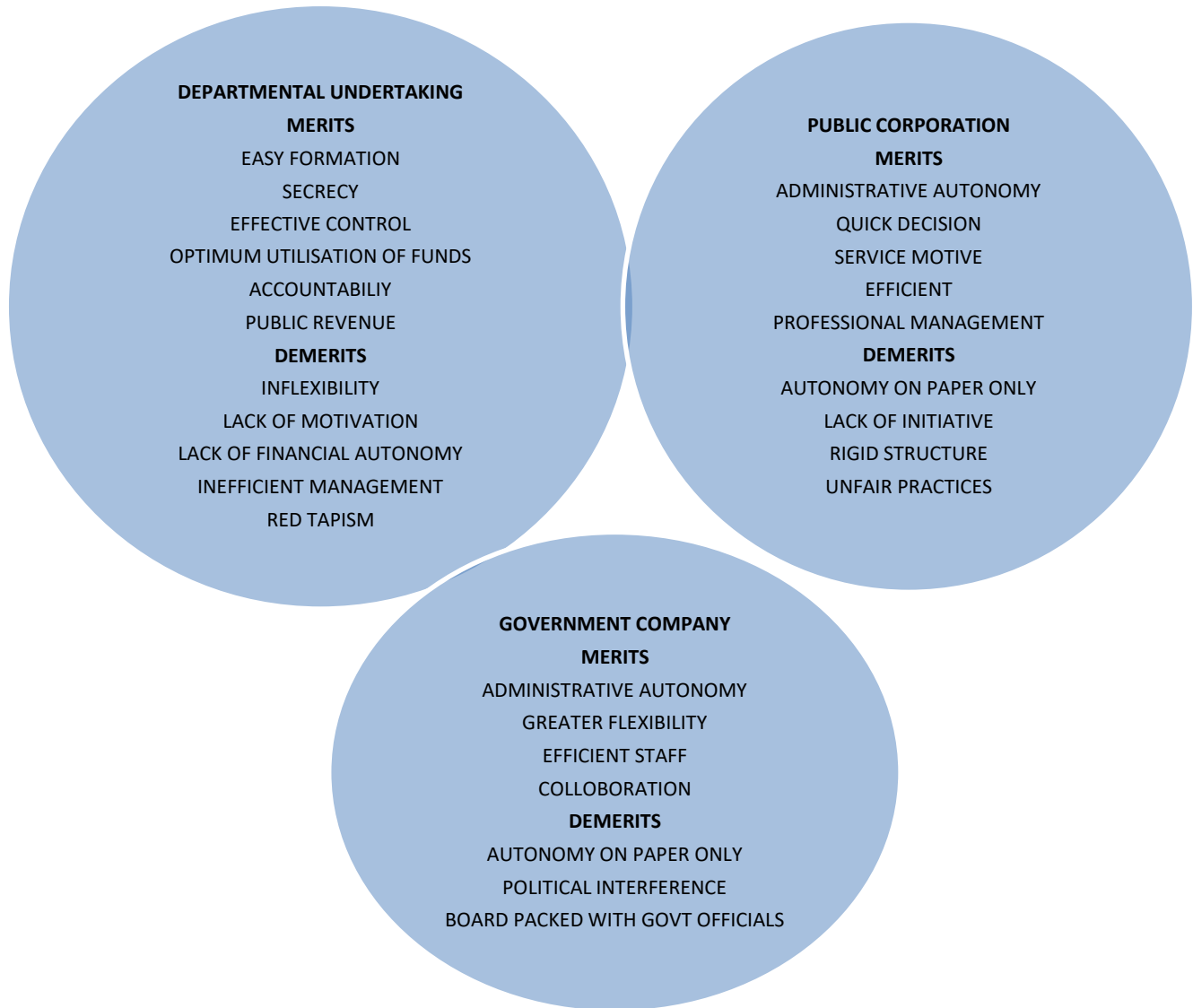
Features of Public Private Partnership

1. Investments by Private Sector,
2. Arrangement with Private Sector,
3. Performance Linked Payments,
4. Risk Sharing with Private Sector,
5. Operations ,
6. Conformance to Performance Standards.

Merits of Public Private Partnership

1. Better Viability,
2. Innovation,
3. Inflow of Private Investment,
4. Increased Efficiency,
5. Sharing of Project Risks.

MIND MAP



Multiple Choice Question

1. Which of the following is not an objective of PSUs?

- (a) Development of infrastructure (b) Import substitution (c) Profit maximisation
(d) Regional balance

Ans-(c) Profit maximisation

2. _____ form of PSU has the greatest autonomy.

- (a) Departmental Undertakings (b) Public Corporation (c) Government Company
(d) None of these

Ans.(c) Government Company

Instructions: Q.1 to Q.2 are based on Assertion and Reason. In each question, on the basis of (A) and (R) given in the question, choose the correct choice from the options given below: (a) Both **(A)** and **(R)** are wrong

(a) Only **(A)** is right and **(R)** is wrong

(b) Both **(A)** and **(R)** are right and **(R)** is the correct explanation of **(A)**

(c) Both **(A)** and **(R)** are right but **(R)** is not the correct explanation of **(A)**

Q.1 Assertion (A): When a national security is concerned, departmental undertakings form of public sector enterprises is most suitable.

Reason (R): Departmental undertaking is under the direct control and supervision of the concerned ministry.

Ans(c) Both **(A)** and **(R)** are right but **(R)** is not the correct explanation of **(A)**

Q.2 Assertion (A): The government generally does not interfere in their financial matters, including their income and receipts.

Reason (R): The funds of these organisations do not come from the central budget.

Ans(c) Both **(A)** and **(R)** are right but **(R)** is not the correct explanation of **(A)**

Competency Based Question

Q.1 The Tata Group, founded by Jamshedji N. Tata in 1868, as a private trading firm. Presently doing business in different segments like steel, automobiles, energy, home care products, etc. The group is managed by professional managers appointed by the Board of Directors. The business group enjoy global leadership and its main motive is to earn profit and generate wealth. The group is not accountable to the public.

(i) The given case is referring to the working of a private sector enterprise. Name the other sector which is also working in our mixed economy.

(ii) In the instant case, the group is not accountable to the public. State to whom the group is accountable?

(iii) What is the main aim of public sector enterprises?

(iv) In whose hand the management of public enterprises are entrusted?

(v) Does public enterprises have freedom of operations?

(vi) Are public enterprises accountable to the public?

Ans.

(i) Public Sector

(ii) Owners/Investors

(iii) To render services to the public at large.

(iv) The management and control lies in the hands of the Board of Directors having more government representatives.

(v) Due to government interference, freedom of operation is less.

(vi) Yes, these enterprises are accountable to the public through Parliament.

Case Study Questions

1. Mr. Gajendra is a businessman dealing in the sale of electronic items. His daughter Gauri is working in Kotak Mahindra Bank and his son, Sarvesh is working in State Electricity Board. Mr. Gajendra applied for a home loan with Kotak Mahindra. He was impressed with the efficient work culture of the bank as he got the loan in a short period of time, much before his expectations. He also applied for electricity connection in State Electricity Board. Even after six months, he could not get any satisfactory response for the delay in getting his connection from concerned authorities. Gauri told her father that public sector and its work culture is different from that of private sector. It could not compete with private sector in terms of efficiency and in terms of profits as well.

(i) His daughter Gauri is working in Kotak Mahindra Bank. Identify the sector, in which Gauri is working

a) Public sector b) **Private sector** c) Both (a) and (b) d) Neither (a) nor (b)

(ii) 'It could not compete with private sector in terms of efficiency and in terms of profits as well.' The reason for this is their -----

a) Motive b) Autonomy c) **Management** d) All of these

(iii) his son, Sarvesh is working in State Electricity Board' Identify the form of business organisation state Electricity Board is related to ?

a) Departmental Undertaking b) **Statutory Corporation**
c) Government Company d) Private Sector Company

(iv) What is the reason behind delay in decision making in the form of business employing Sarvesh?

a) Red-tapism b) Employee absenteeism c) **Mismanagement** d) Conflict of interest

CH - 04: BUSINESS SERVICES

Goods:- A good is a tangible item that can be supplied to a buyer and entails the transfer of ownership from the seller to the buyer.

Services:- Services are discreetly recognizable, basically intangible actions that satisfy demands but are not always tied to the selling of a product or another service. For example, banking services, tele-communication services etc.

Types of Accounts:

- 1. Fixed Deposit Account:** Money deposited in the account for a fixed period is called a Fixed Deposit account. After the expiry of the specified period, the person can claim his money from the bank. Usually, the rate of interest is maximum in this account. The longer the period of deposit, the higher the rate of interest on deposit.
- 2. Current Deposit Account:** Current deposit Accounts are opened by businessmen. The account holder can deposit and Withdraw money. Whenever desired. As the deposit is repayable on demand, it is also known as demand deposit. Withdrawals are always made by cheque. No interest is paid on current accounts. Rather charges are taken by the bank for services rendered by it.
- 3. Saving Deposit Account:** The aim of a saving account is to mobilize savings of the public. A person can open this account by depositing a small sum of money. He can withdraw money from his account and make additional deposits at will. Account holder also gets interest on his deposit. In this account though the rate of interest is lower than the rate of interest on fixed deposit accounts.
- 4. Recurring Deposit Account:** The aim of recurring deposit is to encourage regular savings by the people. A depositor can deposit a fixed amount, say ₹ 100 every month for a fixed period. The amount together with interest is repaid on maturity. The interest rate on this account is higher than that on saving deposits.
- 5. Multiple Option Deposit Account:** It is a type of saving Bank A/c in which deposits in excess of a particular limit get automatically transferred into fixed Deposit. On the other hand, in case an adequate fund is not available in our saving Bank Account so as to honour a cheque that we have issued, the required amount gets automatically transferred from fixed deposit to the saving bank account. Therefore, the account holder has twin benefits from this amount.

(i) She can earn more interest and

(ii) It lowers the risk of dishonoring a cheque.

The chief electronic services are the following:

(a) Electronic Fund Transfer: Under it, a bank transfers wages and salaries directly from the company's account to the accounts of employees of the company. The other examples of EFTs are online payment of electricity bill, water bill, insurance premium, house tax etc.

(b) Automatic Teller Machines: (ATMs) ATM is an automatic machine with the help of which money can be withdrawn or deposited by inserting the card and entering personal Identity Number (PIN). This machine operates for 24 hours.

(c) Debit Card: A Debit Card is issued to customers in lieu of his money deposited in the bank. The customers can make immediate payment of goods purchased or services obtained on the basis of his debit card provided the terminal facility is available with the seller.

(d) Credit Card: A bank issues a credit card to those of its customers who enjoy a good reputation. This is a sort of overdraft facility. With the help of this card, the holder can buy goods or obtain services up to a certain amount even without having sufficient deposit in their bank accounts.

(e) Tele Banking: Under this facility, a customer can get information about the account balance or any other information about the latest transactions on the telephone.

(g) National Electronic Fund Transfer: NEFT refers to a nationwide system that facilitates individuals, firms & companies to electronically transfer funds from any branch to any individual, firm or company having an account with any other bank branch in the country. NEFT settles transactions in batches. The settlement takes place at a particular point of time.

(f) Real Time Gross Settlement: RTGS refers to a funds transfer system where transfer of funds takes place from one bank to another on a Real-time and on Gross basis. Settlement in Real time means transactions are settled as soon as they are processed & are not subject to any waiting period. Gross settlement means the transaction is settled on one to one basis without bunching or netting with any other transaction. This is the fastest possible money transfer system through the banking channel.

E- Banking:

Internet banking means any user with a PC and a browser can get connected to the bank's website to perform any of the virtual banking functions and avail of any of the bank's services. There is no human operator to respond to the needs of the customer. The bank has a centralised database that is web-enabled. All the services that the bank has permitted on the internet are displayed on a menu. Any service can be selected and further interaction is dictated by the nature of service.

Benefits of E-Banking to Customer:

1. E-Banking provides 24 hours a day x 365 days a year services to the customers.
2. Customers can make transactions from the office or house or while traveling via mobile telephone.
3. There is greater customer satisfaction through e-banking as it offers unlimited access and great security as they can avoid travelling with cash.

Benefits of E-Banking to Banks:

1. E-Banking lowers the transaction cost.
2. Load on branches can be reduced by establishing a centralized database.
3. E-Banking provides competitive advantage to the bank, adds value to the banking relationship.

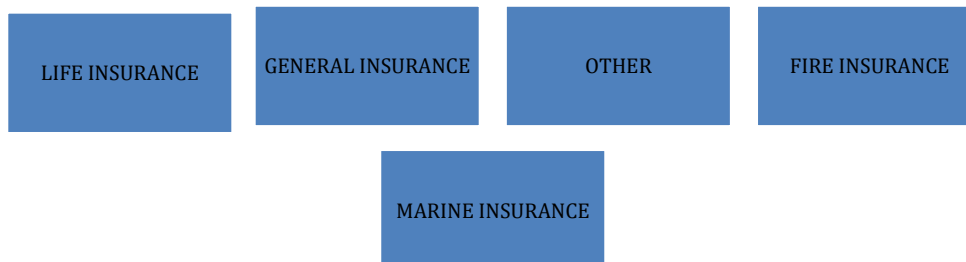
Insurance:-

- It is a contract or agreement in which one party (the insured) agrees to pay another party (the insurer) an agreed sum of money (premium) when something of worth in which the insured has a pecuniary stake is lost, damaged, or injured. And, in exchange for the premium paid by the insured, the insurer/insurance company agrees to assume the risk of the unforeseen catastrophe and compensate the insured up to the agreed-upon amount.

- There are two major types of insurance:

- o Life Insurance

- o General Insurance



Basic Terminology:

a. Insured: Insured is the one who takes up the insurance policy, and is exposed to a

certain risk.

b. Insurer: Insurer is the one who agrees to take the responsibility of the risk the insured is exposed to.

c. Premium: It is a fee that the insured has to pay the insurer in return for the risk taken up by the insurer on behalf of the insured.

d. Insurance Policy: It is a policy or document that specifies the terms & conditions related to the insurance contract.

e. Sum assured: It is the amount for which the insurance policy is taken.

Features of Insurance:

- Insurance is the exchange of a little monthly payment (premium) for the risk of a significant potential loss.
- The risk of loss still exists, but it is dispersed over a vast number of policyholders exposed to the same risk.
- The premium paid by them is pooled out of which the loss sustained by any policy holder is compensated.
- Risk is transferred from one party (Insured) to another party (Insurer).
- Insurance can be done for any type of risk, fire, theft, third party etc.
- Two parties are required namely the insured & the insurer for the insurance contract to take place.

Principle of Insurances:

1. **Utmost Good Faith:** Insurance contracts are based upon mutual trust and confidence between the insurer and the insured. It is a condition of every insurance contract that both the parties i.e. insurer and the insured must disclose every material fact and information related to insurance contract to each other.
2. **Insurable Interest:** It means some pecuniary interest in the subject matter of an insurance contract. The insured must have insurable interest in the subject matter of insurance i.e., life or property insured the insured will have to incur loss due to this damage and insured will be benefited if full security is being provided. A businessman has insurable interest in his house, stock, his own life and that of his wife, children etc.
3. **Indemnity:** Principle of indemnity applies to all contracts except the contract of life insurance because estimation regarding loss of life cannot be made. The objective of a contract of insurance is to compensate the insured for the actual loss he has incurred. These contracts provide security from loss and no profit can be made out of these contracts.
4. **Proximate Cause:** The insurance company will compensate for the loss incurred by the insured due to reasons mentioned in insurance policy. But if losses are incurred due to reasons not mentioned in insurance policy then the principle of proximate cause or the nearest cause is followed.

5. Subrogation: This principle applies to all insurance contracts which are contracts of indemnity. As per this principle, when any insurance company compensates the insured for loss of any of his property, then all rights related to that property automatically gets transferred to the insurance company.

6. Contribution: According to this principle if a person has taken more than one insurance policy for the same risk then all the insurers will contribute the amount of loss in proportion to the amount assured by each of them and compensate for the actual amount of loss because he has no right to recover more than the full amount of his actual loss.

- For example, an insured has taken an insurance policy from three insurers of ₹ 50,000 each on the same subject matter, and the loss due to fire is only ₹ 75,000. So, in this case the insured will not get ₹50,000 from each insurer, instead he will be paid proportionately by all the insurers, in the ratio of sum assured, such as 1:1:1, that is ₹ 25,000 from each insurer, or any other method but the amount would not exceed ₹ 75,000.

7. Mitigation: According to this principle the insured must take reasonable steps to minimize the loss or damage to the insured property otherwise the claim from the insurance company may be lost.

Types of Insurance and Difference between Life Insurance, Fire Insurance & Marine Insurance

Basis	Life Insurance	Fire Insurance	Marine Insurance
1. Subject Matter	The subject matter of Insurance is human life.	The subject matter is any physical property or assets.	The subject matter is a ship, cargo or freight.
2. Element	Life Insurance has the elements of protection & investment or both.	Fire insurance has only the element of protection & not the element of investment.	Marine insurance has only the element of protection.
3. Insurable interest	Insurable interest must be present at the time of Effecting the policy but need not be necessary at the time when the claim falls due.	Insurable interest on the subject matter must be present both at the time of effecting policy as well as when the claim falls due.	Insurable interest must be present at the time when claim falls due or at the time of loss only.

4. Duration	Life insurance policy usually exceeds a year and is taken for longer periods ranging from 5 to 30 years or whole life.	Fire insurance policy usually does not exceed a year.	Marine insurance policy is for one or period of voyage or mixed.
5. Indemnity	Life insurance is not based on the principle of indemnity. The sum assured is paid either on the happening of certain events or on maturity of the policy.	Fire insurance is a contract of indemnity. The insured can claim only the actual amount of loss from the insurer. The loss due to the fire is indemnified subject to the maximum limit of the policy amount.	Marine insurance is a contract of indemnity. The insured can claim the market value of the ship & cost of goods destroyed at sea & the loss will be indemnified.
6. Loss measurement	Loss is not measurable.	Loss is measurable.	Loss is measurable.
7. Surrender value or paid up value	Life insurance policy has a surrender value or paid up value.	Fire insurance does not have any surrender value or paid up value.	Marine insurance does not have any surrender value or paid up value.
8. Policy Amount	One can insure for any amount in life insurance.	In fire insurance, the amount of the policy cannot be more than the value of the subject matter.	In marine insurance the amount of the policy can be the market value of the ship or cargo.
9. Contingency of risk	There is an element of certainty. The event i.e., death or maturity of policy is bound to happen. Therefore a claim will be present.	The event i.e., destruction by fire may not happen. There is an element of uncertainty & there may be no claim.	The event i.e., loss at sea may not occur & there may be no claim. There is an element of uncertainty.

Communication Services:

- Business does not operate in a vacuum; it must communicate with others in order to exchange ideas and information.
 - To be effective, communication services must be efficient, accurate, and quick. In today's fast paced and competitive world, advanced technology is critical for speedy decision-making.
 - For example,
- I. Postal Services

II. Telecommunication Services.

I. Postal Services:-

This service is required by every business to send and receive letters, market reports, parcels, money orders etc. on a regular basis. All these services are provided by the post and telegraph offices scattered throughout the country. The postal department performs the following services.

(i) Financial Services:

They provide postal banking facilities to the general public and mobilize their savings through the following saving schemes like public provident fund (PPF), KisanVikasPatra, National Saving Certificate, Recurring Deposit Scheme and Money Order facility.

(ii) Mail Services: The mail services offered by post offices include transmission of messages through postcards, inland letters, envelopes etc. The various mail services are:

(a) UPC (under postal certificate): When ordinary letters are posted the post office does not issue any receipt. However, if the sender wants to have proof then a certificate can be obtained from the post office on payment of prescribed fee. This paper now serves as evidence of posting the letters.

(b) Registered Post: Sometimes we want to ensure that our mail is definitely delivered to the addressee otherwise it should come back to us. In such situations the post office offers a registered post facility which serves as a proof that mail has been posted.

(c) Parcel: Transmission of articles from one place to another in the form of parcels is known as parcel post. Postal charges vary according to the weight of the parcels.

Allied Postal Services:-

(a) Greetings Post: Greetings can be sent through post offices to people at different places.

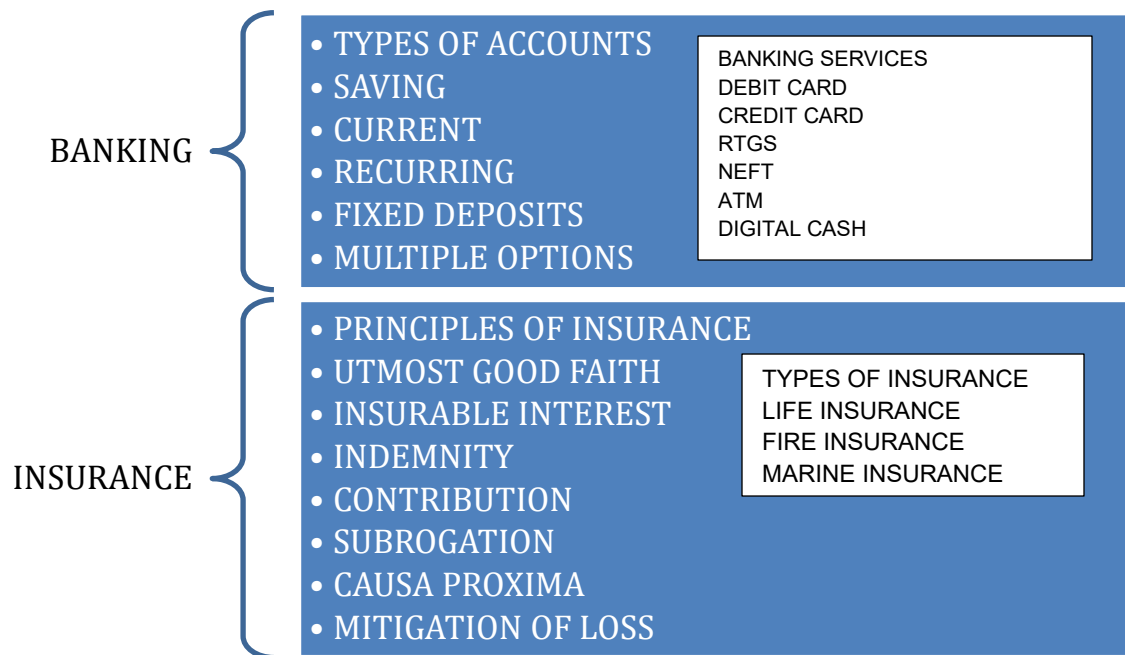
(b) Media Post: Cooperates can advertise their brands through postcards, envelopes etc.

(c) Speed Post: It allows speedy transmission of articles (within 24 hours) to people in specific cities.

(d) e-bill post: The post offices collect payment of bills on behalf of BSNL and other organizations.

(e) Courier Services: Letters, documents, parcels etc. can be sent through the courier service. It being a private service the employees work with more responsibility.

MIND MAP



Multiple Choice Question

Q 1 . Which of the following is a contract of Indemnity?

(a) Marine Insurance (b) Fire Insurance (c) Life Insurance (d) All of the above

Answer: (b) Fire Insurance

Q.2. _____ is not a type of general insurance.

(a) Marine Insurance (b) Fidelity Insurance (c) Fire Insurance (d) Life Insurance

Answer: (d) Life Insurance

Q.3. Which of the following is an allied postal service?

(a) Greeting post (b) Media post (c) Speed post (d) Passport Application

Answer: (c) Speed post

Q.4. Manish, Rahul and Madhav live in the same locality. They used to meet and discuss their ideas. After discussing the recent fire breakout in their area, they decided to take fire insurance for their house or work area. Manish gets his house insured against fire for Rs1 lakh and during the policy period, his house gets damaged due to fire and the actual loss amounts to Rs 2.5 lakh. The insurance company acquired the burning material and

approved his claim. Rahul gets his godown insured against fire for Rs 1 lakh but does not take enough precautions to minimize the chances of fire like installing fire extinguishers in the factory. During the policy, a fire takes place in his godown and he does not take any preventive steps like throwing water and calling the employees from the fire-fighting department to control the fire. He suffered a loss of Rs 1,20,000. Madhav took a fire insurance policy of Rs 20 lakh for his factory at an annual payment of Rs 24,000. In order to reduce the annual premium, he did not disclose that highly explosive chemicals are being manufactured in his factory. Due to a fire, his factory gets severely damaged. The insurance company refused to make payment for the claim as it became aware of the highly explosive chemicals.

(a) How much can Manish claim from the insurance company?

1. 2.5 Lakhs 2. 1 Lakh 3. 2 Lakhs 4. None of the above

(b) How much compensation can Rahul get from the insurance company?

1. Rs 2,00,000 2. Rs 1,20,000 3. Rs 1,00,000 4. Nil

(c) Which principle is violated in the case of Rahul?

1. Mitigation 2. Insurable Interest 3. Utmost Good Faith 4. Indemnity

(d) How much amount is the insurance company liable to pay to Madhav if he files a case against it?

1. 24,000 2. Nil 3. Insufficient information 4. 20 Lakh

Ans. 1. (b) 1 Lakh 2. (d) Nil 3. (a) Mitigation 4. (b) Nil

Q.5 A person gets his stock with Rs.25,000 insured for Rs.35,000. A fire occurs and the whole stock gets damaged. The insurance company will pay him only Rs.25,000, the actual value of his stock and not Rs.35,000. Which principle of insurance is applied in this case?

(a) Principle of Indemnity (b) Principle of Subrogation

(c) Principle of Contribution (d) Principle of Insurable Interest

Ans. a) Principle of Indemnity

Q.6 "AZAD had insured his house for fire insurance with two Insurance companies. One day the house caught fire. AZAD made every effort to put out the fire. However, the house was totally burnt down. He was paid the compensation by one of the insurers who claimed it partly from the other insurer and the right to ownership of the property passed on to both the insurers."

a) Name the three principles in the above para by quoting the specific lines.

b) Explain the principles of Utmost Good Faith and Causa Proxima.

Ans. a) i) Mitigation: "Azad made every effort to put out the fire."

ii) Contribution: "Azad had insured his house for fire insurance with two Insurance companies. He was paid the compensation by one of the insurers who claimed it partly from the other insurer"

iii) Subrogation: "the right to ownership of the property passed on to both the insurers."

b) i) Principle of utmost good faith: both parties display good faith, full information.

ii) Principle of causa proxima: nearest, direct, dominant cause is responsible.

ASSERTION REASON QUESTIONS (ARQs)

Q.7. Read the following statements: Assertion and Reason. Choose one of the correct alternatives given below:

Assertion (A): Banks do not pay any interest on Current Account. Rather, it imposes service charges for running these accounts.

Reason(R): There is no restriction on number & amount of deposits & withdrawals in case of Current Accounts.

(A)Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion (A),

(B)Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (A).

(C)Assertion (A) is True but Reason (R) is False.

(D)Assertion (A) is False but Reason (R) is True.

Ans. (a)

Q.8 Read the following statements: Assertion and Reason. Choose one of the correct alternatives given below:

Assertion (A): Life insurance is a contract of Indemnity.

Reason (R): According to Principle of Indemnity, the insured is entitled to recover the extent of the loss suffered by him, up to the limit of the amount covered by the policy.

Alternatives:

- a. Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion A.
- b. Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion A.
- c. Assertion (A) is True but Reason (R) is False.
- d. Assertion (A) is False but Reason (R) is True.

Ans. (d)

Q.9 Read the following statements: Assertion and Reason. Choose one of the correct alternatives given below:

Assertion (A): In case of fire insurance, insurable interest must be present at the time of taking the policy as well as at the time of loss of subject matter.

Reason (R): Fire must be the proximate cause of damage or loss in a fire insurance policy.

- (a) Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is True but Reason (R) is False.
- (d) Assertion (A) is False but Reason (R) is True.

Ans. (b)

CH - 05: EMERGING MODES OF BUSINESS

E-business (Electronic Business):

E -business may be defined as the conduct of industry, trade and commerce using the computer networks

Scope of E-business:

Scope of e-Business: Firm's e-business transactions can be seen in the following four ways:

1. **B2B Commerce:** In these commercial transactions take place between different business organizations. It includes placing of purchase orders, invoices, quotations etc. Business to Business(B2B) form a major share of total e-commerce volume.
2. **B2C Commerce:** It means Business to Customers transactions. It includes selling of goods, call centres, ATM facilities etc.
3. **Intra-B Commerce:** Here the transactions take place within the firm. It includes use of computer networks in marketing, finance, production, purchase, human resource, Research and Development departments.... It also includes interaction of business with its employees (B2E) like salary payment, seeking suggestions from employees etc.
4. **C2C Commerce:** It means Customer to Customer. This type of commerce is best suited for dealing in goods for which there is no established market mechanism. The vast space of the internet (eBay.com, olx.com, etc.) allows persons to globally search for potential buyers.

Benefits of e-Business:

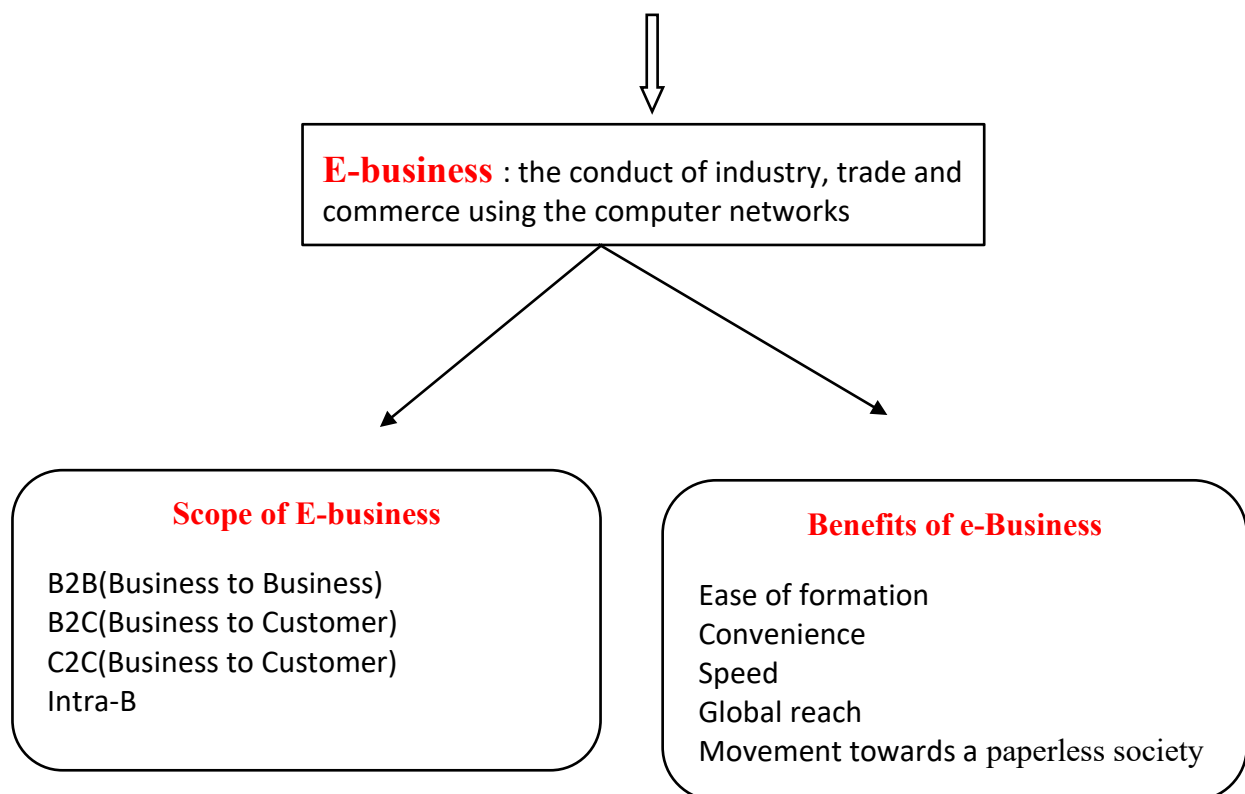
1. **Ease of formation** – It is very easy to start due to less legal formalities and with a limited investment.
2. **Convenience** – Internet offers the convenience of 24 hours business.
3. **Speed** – Internet allows faster services.
4. **Global reach** – It provides a boundary-less market.
5. **Movement towards a paperless society** – Use of the internet has considerably reduced dependence on paperwork.

Differences between Traditional and e-Business.

Basis	Traditional Business	e-Business
1. Ease of Formation	Difficult	Simple
2. Physical presence	Required	Not required
3. Location requirement	Important	Not important
4. Cost of setting up	High	Low
5. Operating cost	High	Low
6. Contact with suppliers and customers	Indirect through intermediaries	Direct

7. Business process and length of cycle	Long time	Shorter
8. Interpersonal touch	More	Less
9. Ease of going global	Less	More
10. Employees	Semi-skilled or unskilled	Technically and professionally qualified
11. Transaction risk	Low due to face to face Contact	High due to lack of personal contact

MIND MAP



Multiple Choice Questions:

1. OLX is an example of which of the following category of e- business:

- (a) B2B (b) B2C (c) C2C (d) Intra B

2. A Mail sent by Purchase department to Production department is example of which of the following:

- (a) B2B (b) B2C (c) C2C (d) Intra B

3. B2B commerce helps in all these except:

- (a) Customised production (b) Improved distribution system
(c) Reduce dependence on single supplier (d) Online customer surveys

Answers:

1. (c) C2C 2. (d) Intra B 3. (c) Reduce dependence on single supplier

Assertion and Reason based questions

Instructions: For each question, there are two statements given as Assertion (A) and Reason (R). Read the statements carefully and choose the correct option:

- a) Both A and R are true, and R is the correct explanation of A.
- b) Both A and R are true, but R is not the correct explanation of A.
- c) A is true, but R is false.
- d) A is false, but R is true.

Questions:

1. **Assertion (A):** E-business has a wider scope than e-commerce.

Reason (R): E-commerce includes only the transactions between a business and its customers, while e-business encompasses various business functions conducted electronically, including e-commerce.

2. **Assertion (A):** Setting up an e-business requires a very high initial investment compared to traditional business.

Reason (R): E-business eliminates the need for physical storefronts and reduces the costs associated with maintaining a large physical infrastructure.

3. **Assertion (A):** The movement towards a paperless society is hindered by the growth of e-business.

Reason (R): E-business heavily relies on digital documentation, electronic transactions, and online communication, significantly reducing the use of paper in business processes.

Answers:

- 1. **(a)** Both A and R are true, and R is the correct explanation of A.
- 2. **(d)** A is false, but R is true.
- 3. **(d)** A is false, but R is true.

Competency Based Questions

Question 1: A small handicraft business in a remote village in India recently started selling its products directly to customers across the country through its own website. This has significantly reduced its reliance on intermediaries. Which emerging mode of business is this enterprise utilizing?

Answer: E-business (or Online Business)

Question 2:

A consumer directly interacts with a manufacturer's website to customize and purchase a product according to their specific requirements. Which aspect of e-business does this highlight?

Answer: Business-to-Consumer (B2C)

Question 3:

A company utilizes cloud computing services to store its data and run its applications, eliminating the need for significant investment in its own IT infrastructure. What key benefit of e-business or technology adoption does this demonstrate?

Answer: Lower Operational Costs

Case Studies

Priya, a talented baker in Kurukshetra, started by selling her specialty cakes to friends and family. The positive feedback and increasing orders encouraged her to create an Instagram page showcasing her creations. Soon, she started receiving orders from people across Kurukshetra. To manage the growing demand, she began taking online payments and even arranged for local deliveries through a tie-up with a nearby logistics service. Her small home-based venture was rapidly transforming.

Questions:

1. Identify the emerging mode of business adopted by Priya.
2. What are the benefits Priya is likely experiencing through this new way of doing business?

Answers:

1. Priya has adopted **e-business**, specifically leveraging **e-commerce** for transactions (online orders and payments) and **digital marketing** (using Instagram for showcasing and reaching customers).
2. Priya is likely experiencing benefits such as:
 - **Lower setup costs:** Operating from home initially reduces the need for a physical storefront.
 - **Wider reach:** Instagram allows her to connect with a larger customer base beyond her immediate social circle.
 - **Convenience for customers:** Online ordering and payment provide ease and accessibility for buyers.
 - **Flexibility:** She can manage her business alongside other responsibilities.

EduNext is a well-established coaching center in Haryana, known for its quality teaching for competitive exams. However, their reach was limited to students who could physically attend their classes. To expand their impact, EduNext launched an online platform with

live interactive classes, recorded lectures, and digital study materials. Students from all over India started enrolling in their courses. They also partnered with educators from different parts of the country to offer specialized subjects.

Questions:

1. What type of emerging business model is EduNext implementing?
2. Identify the key features of this business model that are different from their traditional approach.

Answers:

1. EduNext is implementing **e-learning**, which falls under the broader umbrella of **e-business**. They are using digital technologies to deliver educational services remotely.
2. Key differences from their traditional approach include:
 - **Physical presence:** Traditional coaching requires physical attendance; the online platform eliminates this need.
 - **Geographical reach:** Earlier limited to local students, now they can cater to a nationwide audience.
 - **Delivery method:** Teaching has shifted from in-person lectures to online interactive sessions and recorded content.
 - **Accessibility:** Students can access learning materials anytime, anywhere with an internet connection.
 - **Collaboration:** They can partner with educators located remotely.

Ch - 06: SOCIAL RESPONSIBILITY OF BUSINESS AND BUSINESS ETHICS

Concept of Social responsibility:-

A business is a part of society. So, a business enterprise should do business and earn money in ways that fulfill the aspirations of the society. Thus social responsibility relates to the voluntary efforts on the part of the businessmen to contribute to the social well-being.

Arguments in favour of Social Responsibility:-

There is a need for Social Responsibility of business for Existence and Growth:

- 1. Justification for Existence and Growth:** Business is the creation of society therefore it should respond according to the demands of the society. To survive and grow in society for the long run the business must provide continuous services to the society.
- 2. Long term Interest of the firm:** A firm can improve its image and build goodwill in the long run when its highest goal is to serve the society. If it indulges in unfair Trade Practices e.g. adulteration, hoarding, black marketing, it may not be able to exist for long.
- 3. Avoidance of government regulations:** Business can avoid the problem of government regulations by voluntarily assuming social responsibilities.
- 4. Availability of resources with business:** Business has valuable financial and human resources which can be effectively used for solving problems of the society.
- 5. Better environment for doing business:** It is the social responsibility of business enterprise to provide better quality of life and standard of living to people. So, businesses will get a better community to conduct business.
- 6. Contribution to social problems:** Some of the social problems have been created by business firms themselves such as pollution, creation of unsafe workplaces, discrimination etc. Therefore, it is the moral obligation of business to solve such social problems.

Social responsibility towards different Interest groups:-

Business has Interaction with several interest groups such as shareholders, workers, consumers, government and community. Business is responsible to all these groups.

1. Responsibility towards shareholders / Owners:-

- (i) To ensure a fair and regular return on the investment of shareholders/ Owners.
- (ii) To ensure the safety of their investment.

- (iii) To strengthen the financial position of the company.
- (iv) To safeguard the assets of the business.
- (v) To protect the interest of all types of investors in the business.

2. Responsibility Towards workers:-

- (i) Providing fair compensation and benefits.
- (ii) Providing good and safe working conditions.
- (iii) To develop a sense of belongingness.

3. Responsibility toward consumers:-

- (i) To supply the right quality of goods & services at reasonable prices.
- (ii) To ensure regular and adequate supply of products.
- (iii) To inform them about new products and new uses of existing products.
- (iv) To handle the customer's grievance promptly.

4. Responsibility towards Government:-

- (i) To pay taxes honestly.
- (ii) To observe rules laid down by the government.
- (iii) to avoid corrupting government employees.

5. Responsibility towards community:-

- (i) To make available opportunities for employment.
- (ii) To avoid polluting the environment.
- (iii) To uplift the weaker sections of society.

Business and Environmental Protection:-

Meaning of Environment: The environment is defined as the totality of man's surroundings - both Natural and Man-made.

Natural Resources - all land, water, air and Man-made Resources - cultural heritage, socio-economic institutions and the people.

Meaning of Environmental Pollution – It means injection of harmful substances into the environment. The greatest problem that industries and businessmen are creating is that of pollution - which is the result of industrial production. So, protection of the environment is a must.

Role of Business Environmental Protection:

- (a) Eco-friendly and clean or low waste technology should be used by industrial organizations.
- (b) Industrial wastes should be recycled as far as possible.
- (c) Plant and machinery should be modernized to minimize pollution.
- (d) The business houses should comply with the laws and regulations enacted for prevention of pollution.
- (e) Positive steps should be taken to save the environment. These include plantation of trees, cleaning of rivers, ponds etc.

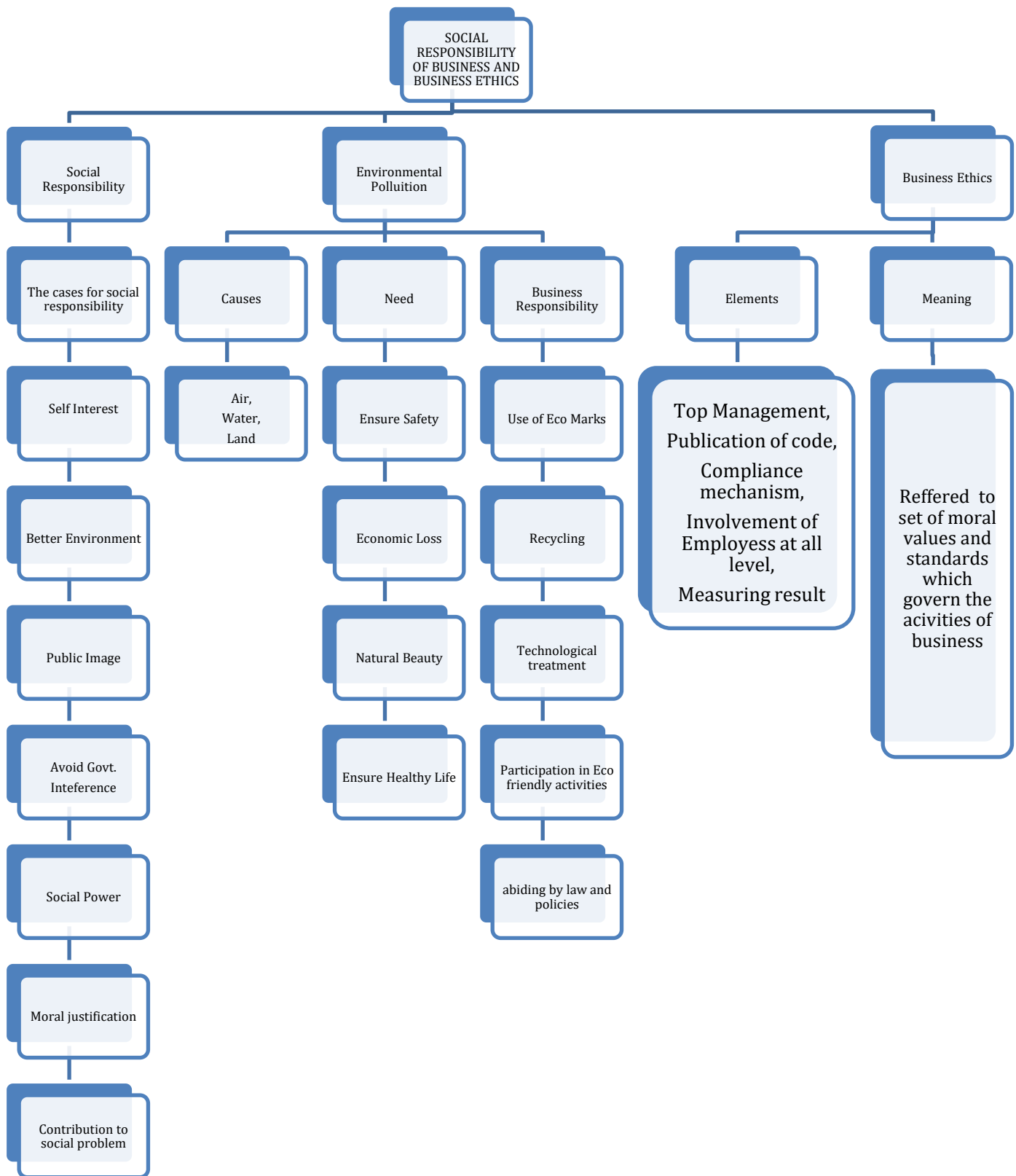
Business Ethics:-

Refers to the moral values or standards or norms which govern the activities of a businessman. Ethics define what is right and what is wrong. By ethic we mean the business practices which are desirable from the point of view of society.

Elements of Business Ethics:

- (a) Top management commitment:** The CEO and higher level managers must be committed to ethical norms of behavior. This would set an example for all employees and encourage them to follow ethical practice.
- (b) Publication of code:** Code of ethics is a formal written document of the principles, values and standards that guide a firm's actions. It may cover areas like honesty, quality, safety, health care etc.
- (c) Establishment of compliance mechanism:** A suitable mechanism should be developed to comply with the ethical standards of the enterprise. The mechanism should be properly communicated to all in the organisation.
- (d) Employee involvement:** It is the employees of the lower levels who implement ethical principles so they must be involved in the process of developing ethical code.
- (e) Measuring results:** Although it is difficult to measure the ethical results, it must be verified and audited that work is being carried according to ethical standards.

Mind Map



Multiple Choice Questions

Q.1 Which of the following can explain the need for pollution control?

- (a) Cost saving
- (b) Reduction of health hazards
- (c) Reduced risk of liability
- (d) All of them

Ans. (d) All of them

Q.2. Which of the following is not an argument in favour of social responsibility?

- a) Lack of broad public support
- b) Converting problems into opportunities
- c) Better environment for doing business
- d) Maintenance of society

Ans. a) Lack of broad public support

Q.3. Star Ltd. uses rocks, trees, electric poles, and walls of historical monuments to advertise its products. This advertising policy has made their product known to the public. Identify the group whose responsibility is ignored by Star Ltd.

- (a) Government
- (b) Consumer
- (c) Society
- (d) Investor

Ans. (c) Society

Assertion and Reasoning

Read the following statements (Q4 AND 5): Assertion and Reason. Choose one of the correct alternatives given below Alternatives:

- (a) Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (A).
- (c) Assertion (A) is True but Reason (R) is False.
- (d) Assertion (A) is False but Reason (R) is True.

Q 4 Assertion (A): Business enterprises have tremendous social power because of huge resources in hand.

Reason (R): Business enterprises should supply the right quality & quantity of goods & services at reasonable prices.

Ans: (b)

Q.5 Assertion (A) : CEO of the company must be strongly committed towards ethical conduct.

Reason (R) : CEO should guide and encourage employees to follow ethical behaviour.

Ans. (a)

Q.6. Read the following statements carefully and choose the correct alternative from the following:

Statement 1: Business should abide by the laws and regulations enacted by the Government for prevention of pollution.

Statement 2: Lower management of the enterprise should be more committed than top management in creating, maintaining and developing work culture for environmental protection and pollution prevention.

Alternatives:

- (a) Both the statements are true.
- (b) Both the statements are false.
- (c) Statement 1 is true and Statement 2 is false.
- (d) Statement 2 is true and Statement 1 is false.

Ans. (c) Statement 1 is true and Statement 2 is false.

Case based Questions

Q.7. Pollution which literally means the state of being contaminated or having been rendered unclean is an undesirable change in the physical, chemical and biological characteristics of the land, air or water that harmfully affects human life or that of the desirable species.

Pollutants occur naturally as well as due to human activity. Sulphur from volcanic eruptions, radioactive materials in nature, and hydrocarbons in the atmosphere are natural pollutants but their effect is not, generally, as drastic and long-lasting as that of man-made pollutants.

- (a) Do you think there is a need for pollution control?
- (b) Discuss Any three reasons which justify that business enterprise should take steps to control the pollution.

Ans. (a) Yes, I think, there is a need for pollution control.

(b) The following reasons justify that business enterprise should take steps to control the pollution:

(i) Reduced risk of liability: Business enterprise is often held liable to pay compensation environment.

to the individuals affected by toxic gases, chemicals and other wastes released into the environment.

(ii) Cost saving: Pollution control also helps to save costs of operating business.

(iii) improved public image: The society is becoming more and more conscious about the quality of the environment. As a result, it has become necessary for the business enterprise. to implement pollution control measures in order to improve its public image.

Q.8. Intex Ltd. is a well known company engaged in manufacturing of packed frozen ready-to-eat items.

The company is committed to take proper precautions against malpractices like adulteration, poor quality and misleading advertising. The company not only follows the rules and regulations of the country, it also pays the due amount of taxes regularly. The company has created proper and safe working conditions. Intex Ltd. maintains proper financial records and aims to ensure efficient utilization of funds. The company has taken all reasonable steps to protect the natural environment and avoid any type of pollution. By quoting lines from the given paragraph, identify the different interest groups towards which the company is fulfilling its social responsibilities.

Ans. The different interest groups towards which Intex Ltd. is fulfilling its social responsibilities are:

Consumers: 'The company is committed to take proper precautions against malpractices like adulteration, poor quality & misleading advertising.

Government: 'The company not only follows the rules and regulations of the country, it also pays the due amount of taxes regularly.

Workers: The company has created proper and safe working conditions.

Shareholders or Owners: 'Intex Ltd. maintains proper financial records and aims to ensure efficient utilization of funds.

Community or Society: The company has taken all reasonable steps to protect the natural environment and avoid any type of pollution.

Q.9. Some years ago, the Tata group suffered a setback, when one five star property in Mumbai was caught in the terrorist attack. The Government stepped in and the militants were shot dead. However, the damage to the property ran into several thousands of crores. Ratan Tata, the then Chairman, did something that is totally out of the world. Every single person who was affected, including those like the pav bhaji vendor outside the hotel, was offered compensation running into several lakhs of rupees. The education of children of those affected, free medical facilities for those survivors and dependents at Tata hospitals for the rest of their lives. Ratan Tata himself visited the families of each of the 80 employees affected by the bomb blast, and offered compensation running into several lakhs of rupees.

This was business ethics at its best. Ratan Tata had clearly spelt what the Tata group stands for, to this day. Out of the various elements of business ethics, which element is highlighted in the given case?

Also discuss other elements of business ethics.

Ans. Element highlighted is 'Top Management Commitment'. For other elements, discuss 'Elements of Business Ethics'.

Concept of Business Finance:

The requirements of funds by business to carry out its various activities is called business finance. Finance is needed at every stage in the life of a business. A business cannot function unless adequate funds are made available to it.

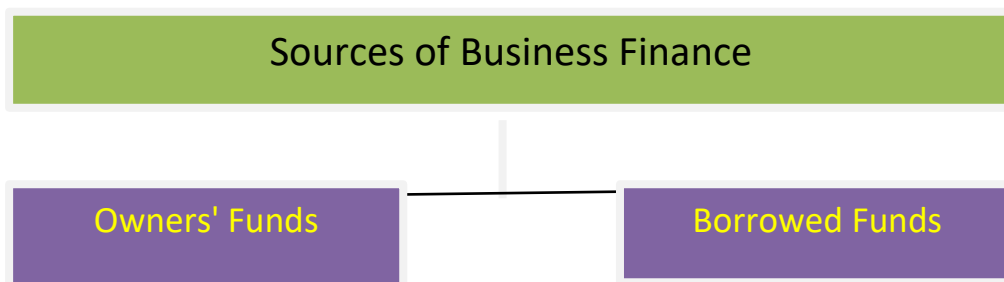
Nature of Business Finance

1. It includes capital and borrowed funds.
2. It requires in all types of organization – big, small, production, trading etc.
3. Differs depending on the nature and size of business.
4. Requirement of fund vary from time to time – boom period and depression.
5. It requires on a continuous basis.

Needs for Business Finance

A business requires finance for various purposes, which can be broadly classified as:

- **Fixed Capital Requirements:** These funds are needed for the acquisition of long-term assets such as land, buildings, machinery, and furniture. These investments are usually for a longer duration.
- **Working Capital Requirements:** These funds are needed for meeting the day-to-day operational expenses of a business, such as purchasing raw materials, paying salaries and wages, and covering other recurring costs.
- **Expansion and Diversification:** Additional funds may be required for business expansion, launching new product lines, or entering new markets.
- **Technological Upgradation:** Finance is necessary to adopt modern technologies and upgrade existing equipment to improve efficiency and competitiveness.



Owners' Funds: These represent the capital contributed by the owners or shareholders of the business and retained earnings.

1. Equity shares.
2. Preference Shares
3. Retained Earnings.

Borrowed Funds: These are the funds raised through loans and borrowings.

Issue of Share (Owner's Fund - Long-term Source of Finance): The capital obtained by issue of shares is known as share capital. The capital of a company is divided into small units called share.

Types of Shares:

- **Equity Shares:** Represent ownership in the company and provide long-term capital. Equity shareholders have voting rights and share in the company's profits and losses.
- **Preference Shares:** Carry preferential rights over equity shares regarding the payment of dividends at a fixed rate and the return of capital in case of liquidation. They generally do not have voting rights.

Retained Earnings (Ploughing Back of Profits): This involves reinvesting a portion of the company's profits back into the business instead of distributing them as dividends. It's an internal source of long-term funds and offers flexibility and independence.

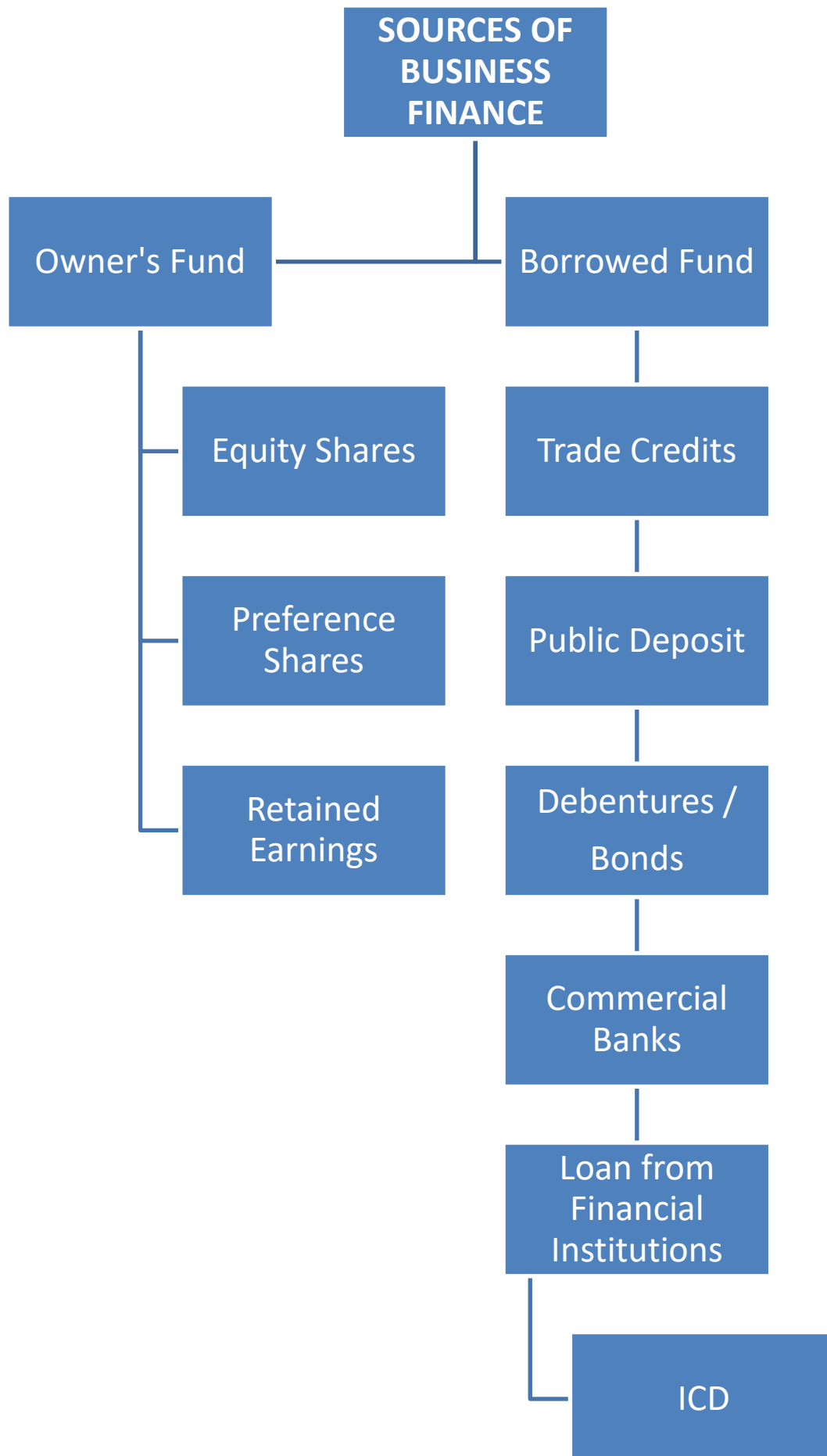
B. Borrowed Funds:

- **Debentures:** These are debt instruments that represent a loan taken by the company. Debenture holders are creditors of the company and receive a fixed rate of interest.
- **Loans from Financial Institutions and Commercial Banks:** These institutions provide medium-term and long-term loans for various business purposes.
- **Trade Credit:** This is short-term credit extended by suppliers to a business, allowing the purchase of goods and services without immediate payment.
- **Public Deposits:** These are unsecured deposits invited directly from the public for a fixed period at a specified interest rate. They are a medium-term source of finance.
- **Commercial Papers:** These are short-term, unsecured promissory notes issued by large and creditworthy companies to raise funds for a short period.
- **Inter Corporate Deposits (ICD):** Inter Corporate Deposits are unsecured short-term deposits made by a company with another company. ICD market is used for short-term cash management of a large corporate.
- **Commercial Banks:** Banks extend loans to firms in many ways like cash credit, overdraft, term loans etc. Rate of interest depends on factors like nature of business, interest rate prevailing in the country etc.

Difference between Shares and Debentures

Base	Shares	Debentures
1. Nature	Shares are the capital.	Debentures are a loan.
2. Return	Dividend.	Interest.
3. Voting Right	Full voting right	No voting right.
4. Holder	Owner is called shareholder	Creditor
5. Types	There are two types of shares.	More than two types.
6. Security	Not secured by any charge.	Secured and generally carry a charge on the assets of the company

MIND MAP



Multiple Choice Questions

1. Public deposits are the deposits that are raised directly from:

- (a) The public (b) The directors (c) The auditors (d) The owners

Ans: (a) The public

2. Which source of finance is preferred by investors who want fixed income at lesser risk :

- (a) Debentures (b) Equity shares (c) Preference shares (d) Bank loan

Ans: (a) Debentures

3. Which one of the following is not the feature of preference shares:

- (a) Provides fixed rate of return (b) Provides voting rights
(c) Get Preference over equity shares (d) Part of owner's capital

Ans: (b) Provides voting rights

Assertion Reason based questions

Choose the correct option:

- (a) Both (A) and (R) are true, and (R) is the correct explanation of (A).
(b) Both (A) and (R) are true, but (R) is not the correct explanation of (A).
(c) (A) is true, but (R) is false.
(d) (A) is false, but (R) is true.

Question 1:

Assertion (A): Retained earnings are considered a cost-free source of finance for a business.

Reason (R): Retained earnings do not involve any explicit payment of interest or dividends to external parties.

Answer: (a) Both (A) and (R) are true, and (R) is the correct explanation of (A).

Question 2:

Assertion (A): Equity shares are considered risk capital.

Reason (R): Equity shareholders receive a fixed rate of dividend, regardless of the company's profitability.

Answer: (c) (A) is true, but (R) is false.

Question 3:

Assertion (A): Trade credit is a commonly used source of short-term finance for businesses.

Reason (R): Trade credit allows businesses to purchase goods and services without immediate payment, providing them with a short-term financing option.

Answer: (a) Both (A) and (R) are true, and (R) is the correct explanation of (A).

Case studies

Q1. "Sunrise Solar Ltd." has been a profitable manufacturer of solar panels for the past seven years. They have built a strong reputation for quality and reliability. Due to increasing demand for renewable energy, the company is now planning a significant expansion of its production capacity. This will require a substantial investment in new

machinery and a larger factory space. The management is considering various options to raise the necessary ₹10 crore.

Identify and explain two potential long-term sources of finance that Sunrise Solar Ltd. could consider for this expansion.

Answer: Sunrise Solar Ltd. could consider the following long-term sources of finance:

1. **Issue of Equity Shares:** This involves selling ownership stakes in the company to new investors. These investors become shareholders and are entitled to a share of the company's future profits (dividends) and have voting rights in major decisions.
2. **Long-Term Bank Loan:** This involves borrowing a fixed sum of money from a bank for a specified period, usually exceeding one year. The company will be required to pay interest on the loan and repay the principal amount according to an agreed-upon schedule.

Q2. "Green Earth Organics" is a growing business that sells organic fruits and vegetables sourced from local farmers. Their sales have been increasing steadily, but they often face a shortage of funds to manage their day-to-day operations, such as paying farmers on time and maintaining sufficient inventory. They need to ensure they have enough funds available between receiving goods from farmers and collecting payments from customers. Identify and explain one advantage of each of the sources identified for Green Earth Organics.

Answer : Green Earth Organics could utilize the following short-term sources of finance:

- **Trade Credit:** A significant advantage of trade credit is that it is a readily available and convenient source of short-term finance, especially for businesses with good relationships with their suppliers. It doesn't involve any immediate outflow of cash, allowing Green Earth Organics to manage their liquidity better.
- **Bank Overdraft:** A bank overdraft provides flexibility as Green Earth Organics can withdraw funds as and when needed and repay them when they receive payments from their customers. Interest costs are incurred only for the actual amount and duration of the overdraft, making it a cost-effective option for fluctuating working capital needs.

Q3. Identify the source of finance which is regarded as a 'Fair Weather Friend'. What is the reason for calling it so?

Ans: The name of the source is Public Deposits. It refers to the deposits that are raised by business organisation directly from the public. It is called Fair Weather Friend because a company receives public deposits only when its financial position is very good. In difficult times investors prefer to deposit their money in the bank, even if the interest to be received is much less.

Ch -8 Small Business and Enterprises

Small scale Enterprises as defined by MSMED act, 2006

Limit for investment in Plant and Machinery and Annual turnover as per latest amendment on 1st April 2025 (in Manufacturing and Service)

Enterprise	Plant and Machinery	Annual turnover
Micro	2.5 Cr	10 Cr
Small	25 Cr	100 Cr
Medium	125 Cr	500 Cr

Role of small business in India

(I)output generation (II)generation of employment (III) supply on enormous variety of products

(IV) balance regional development (V)provide ample opportunity entrepreneurship

(VI)advantage of low cost of production (VII)quick and timely decision making

(VIII)best suited for customise production (IX) adaptability and personal touch.

Role of small business in rural India

(I) Multiple source of income (II)mobilization of local resources

(III) prevent migration (IV) reduction in poverty (V) unemployment and income inequalities

Government schemes and Agencies for small scale industries

National Small Industries Corporation(NSIC) : It supplies indigenous and imported machines on easy hire purchase schemes and exports the production of SSI . A new scheme of performance and credit rating scheme of small business is implemented through National Small Industries Corporation with the two objectives of (I) sensitizing the small industries about the need for credit rating and (II) Encouraging the small business unit to maintain good financial track record.

District industrial center (DICs): District industrial center (DICs): They provide all the services and support facilities to the Entrepreneurs for setting up small and village industries.

Incentives of schemes for the industries development of rural backward and hilly areas

:land ,power and water of concessional Rates exemption from sale tax no octroi,etc.

Concept of entrepreneurship development: entrepreneurship is defined as a systematic purposeful and creative activity of identifying and need mobilizing resources and organizing production with a view to delivering value to the customer, return for the investors and profit for the self in accordance with the risk and a certain it is associated with business entrepreneurship development is the process of improving the skills and knowledge of entrepreneurs through various training and classroom programs.

Characteristics of entrepreneurship:

- (I)systematic activity (II) Lawful and purposeful activity (III)Innovation
- (IV)organisation of production(V) risk taking

Need of entrepreneurship: (I)Capital formation (II) improvement in per capital income (III) generating employment opportunities.(IV)generating of business opportunities for others (V)improvement in economic efficiency(VI) increase the spectrum and scope of economic activities

Process of entrepreneurship development:

- (I)Pre-Training stage (II) Training stage (III) post training stage

Startup India scheme :

As per the notification dated February 17 2017 issued by the Ministry of commercial and industry are startup means:

- (I) An entity incorporated or registered in India .
- (II)Not older than five years.
- (III)Annual turnover does not exceed a rupees 25 crore in a preceding year.
- (VI) Working towards innovations, development of commercialisation of products/ services/ process driven by technology or Intellectual property right (IPRs)and patents .

Way to fund startup:

- (I) bootstrapping (II)Crowdfunding (III) Angel investment (IV) Venture capital (V) business Incubators and Accelerators (VI) Microfinance and NFBCs

Startup India in initiative action point:

(I) simplification and hand holding (II)Startup India hub (III) Legal support and first tracking patent examination (IV)easy and faster exit.(V) harnessing the private sector for incubators Setup.(VI)Tax exemption.

Intellectual property right(IPRs)

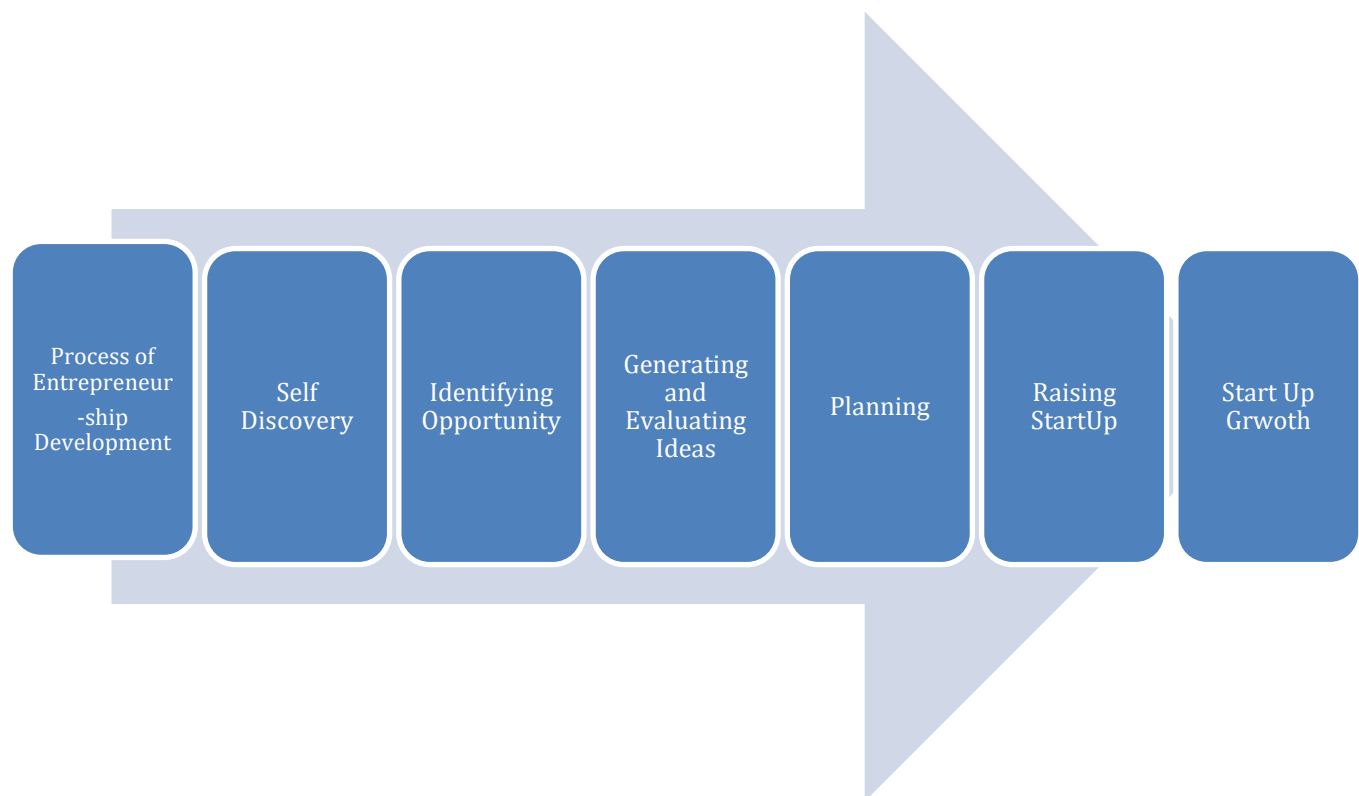
Legal rights conferred on production(like inventions, books, paintings, songs, symbols, names, images or design used in business etc.) are called intellectual property rights(IPRs) .

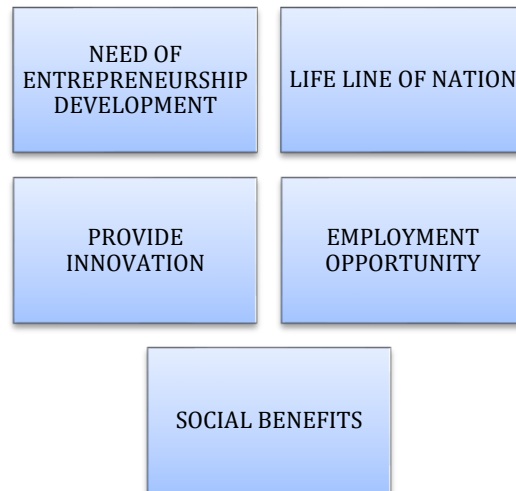
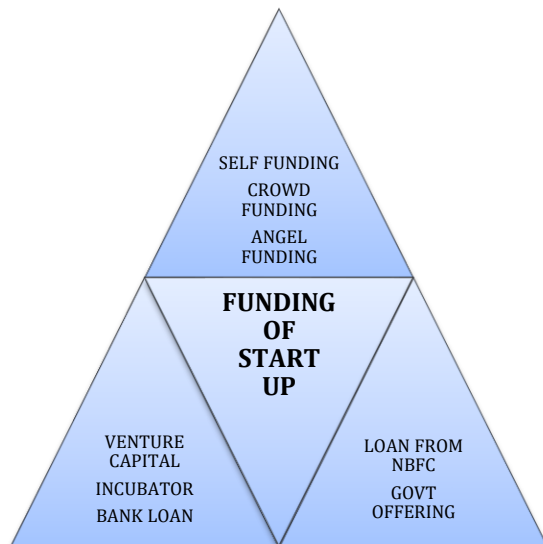
Intellectual properties divided into two broad categories:

(I) industrial property, which include inventions (patents), trademarks, industrial designs Geographical industries.

(II) copyrights, which includes literary and hardest works, like novels, poems, plays, films, musical work, artistic works, like drawings, Geographic and sculptures and architectural designs.

MIND MAP





Multiple Choice Questions

(I) Whose investment in plant and machinery does not exceed rupees..... Is known as tiny Enterprise

- a) 75 lakh. b) 50 lakh c) 25 lakh d) none of these

Ans. c) 25 lakh

(2) Which among the following banks provides financial assistance particularly to small business

- a) IDBI b) ICICI c) SIDBI d) IFCI

ans. c) SIDBI

Assertion Reasoning Based Questions

1. Assertion (A): Small business is defined on the basis of investment in plant and machinery

or equipment in India.

Reason (R): In India, there is scarcity of capital and abundance of labour.

- (a) Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion (A).
- (b) Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (A)
- (c) Assertion (A) is True but Reason (R) is False.
- (d) Assertion (A) is False but Reason (R) is True.

Ans.(d) Assertion (A) is False but Reason (R) is True.

2. Assertion (A): Small industries promote balanced regional development of the country.

Reason (R): In case of organisation of small industries, quick and timely decisions can be taken due to the small size of the organization.

(a) Both Assertion (A) and Reason (R) are True and Reason(R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are True and Reason (R) is not the correct explanation of Assertion (A)

(c) Assertion (A) is True but Reason (R) is False

(d) Assertion (A) is False but Reason (R) is True.

Ans. (a) Both Assertion (A) and Reason (R) are True and Reason(R) is the correct explanation of Assertion (A).

Competency Based Questions

1. After completing MBA from FMS, Delhi, Raveena decided to enter into a startup business. She wants to explore the dairy product business after hearing news of adulteration being found in the milk all over Delhi. She does feasibility studies and finds there is a demand for healthy and quality products in the market. She is confused about the options available to her for her startup. Suggest any 6 ways through which she can finance it.

Ans: The funding for start-ups can be available in the following ways: (Explain the following)

1. Boot Strapping.
2. Crowd Funding.
3. Angel Investment.
4. Venture Capital.
5. Business Incubators and Accelerators.
6. Microfinance and NBFCs

2. Sushant Singh done his B.Tech in electrical engineering. He has no business experience but wants to start a small-scale manufacturing unit. He has chosen to manufacture light engineering goods which will be marketed to manufacturers and in replacement markets. Which Govt. agency should he approach receiving suitable guidance for stating his unit? What type of facilities will he be able to get from concerned agency.

Ans: (a) DIC (b) Role of DIC

Ch- 9: Internal Trade

1. Introduction to Internal Trade

Definition: Internal trade refers to the buying and selling of goods and services within the geographical boundaries of a country. It is also known as domestic trade or home trade.

Characteristics:

- Conducted in the national currency (Rupees in India)
- Governed by national laws and regulations
- Includes both wholesale and retail trade
- No customs duties or import/export taxes are involved

Types of Internal Trade:

1. Wholesale Trade: Purchase and sale of goods in large quantities, mainly for resale or business use.

2. Retail Trade: Sale of goods in small quantities directly to the end consumers.

Functions of Wholesalers:

- **Bulk Purchasing:** Buy goods in large quantities from manufacturers.
- **Storage:*** Maintain warehouses to store goods.
- **Breaking Bulk:** Divide large quantities into smaller lots for retailers.
- **Financing:** Provide credit facilities to retailers.
- **Risk Bearing:** Assume risks like price fluctuations, spoilage, etc.
- **Market Information:*** Provide feedback to manufacturers about market trends.

Services Provided by Wholesalers:*

- To Manufacturers:*

- A. Ensure steady demand for products.
- B. Reduce manufacturers' burden of distribution.
- Provide market intelligence.

- To Retailers:*

- Availability of various products in one place.
- Credit facilities.
- Relief from maintaining large inventories.

Types of Retailers:

A. Itinerant Retailers

- Characteristics:

- Do not have a fixed place of business.
- Operate with minimal capital investment.
- Deal in low-cost, everyday products.

- Types:

- **Street Vendors:** Sell items like fruits, vegetables, and snacks on streets.
- **Market Traders:** Set up temporary stalls in weekly markets.

- **Peddlers and Hawkers:** Move door-to-door or on bicycles selling goods.

B. Fixed Shop Retailers

1. Small-Scale Retailers:

- General Stores:* Sell a variety of daily necessities (e.g., groceries, stationery).
- Specialty Shops: Focus on a specific product line (e.g., books, electronics).
- Second-Hand Goods Shops: Deal in used items like furniture or clothing.

2. Large-Scale Retailers:

- **Departmental Stores:** Large retail outlets offering a wide range of products under one roof (e.g., Shoppers Stop).

- Advantages: Convenience, variety, economies of scale.
- Disadvantages: High operating costs, impersonal service.

- **Chain Stores/Multiple Shops:** Branches of the same store across locations (e.g., Bata, McDonald's).

- Features: Standardized products, centralized management.
- Supermarkets: Self-service stores selling food and household items (e.g., D-Mart).
- Features: Wide aisles, no salespersons, competitive pricing.

Mail Order Business - Mail order houses are retail organizations which carry on business through mail. Mail order business is also known as “selling through post” for the retailer and “shopping by post” for the consumer.

Features: 1 No personal Contact 2 Small capital requirement

Goods & Service Tax (GST): GST is tax on supply of goods and services. Under GST no distinction is made between goods and services for the levying of tax.

Features: 1. One indirect tax for the entire country
2. Destination Based Tax
3. Simple Procedure

Case Studies

Case 1: Kirana Stores vs. E-Commerce

- Problem: Local shops lose customers to online discounts.
- Solution: Adopt digital tools like WhatsApp orders and UPI payments.

Case 2: Impact of GST on Wholesalers

- Positive: Input tax credit reduces tax burden. - Negative: Small traders struggle with digital filing.

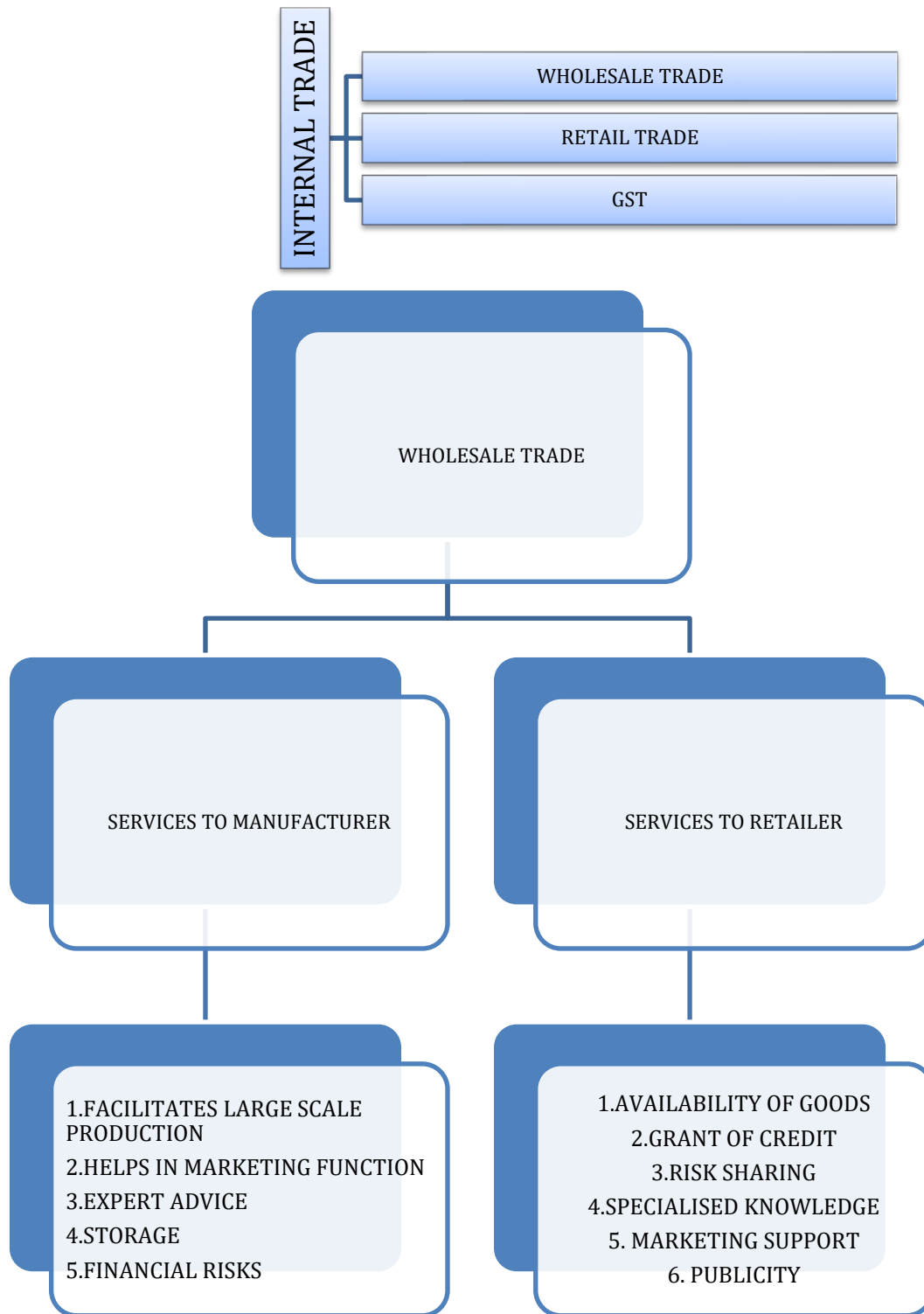
Key Terms and Definitions

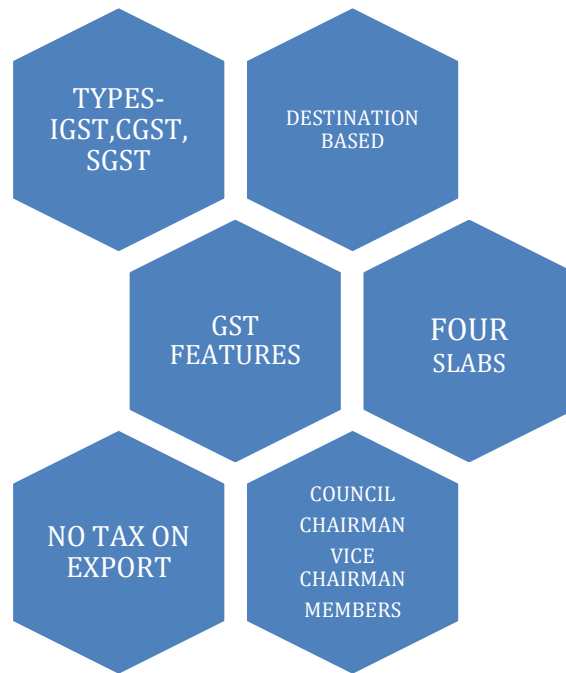
- GST: A unified indirect tax replacing multiple state and central taxes.

- Input Tax Credit (ITC): Tax paid on inputs can be deducted from output tax liability.
- Vending Zone: Designated area allocated to street vendors.

MIND MAP

INTERNAL TRADE





Multiple Choice Questions (MCQs)

1. Which of the following is not a feature of internal trade?

- a) It takes place within a country
- b) It involves multiple currencies
- c) It is subject to local laws
- d) It involves buying and selling of goods

Answer: b) It involves multiple currencies

2. Which of the following is an example of wholesale trade?

- a) Buying from a shopkeeper
- b) Selling to final consumers
- c) Selling goods to retailers
- d) Importing goods

Answer: c) Selling goods to retailers

3. Which of the following is not a function of retailers?

- a) Assembling of goods
- b) Risk bearing
- c) Providing credit facilities to wholesalers
- d) After sales services

Answer: c) Providing credit facilities to wholesalers

Assertion and Reason Questions (ARQs)

1. Assertion: Internal trade helps in promoting local industry.

Reason: Internal trade involves imports and exports.

Answer: Assertion is true but reason is false.

Explanation: Internal trade deals with transactions within the country. It boosts local industries by creating demand and supporting distribution, unlike foreign trade.

2. Assertion: Retailers provide important feedback to manufacturers.

Reason: Retailers interact directly with final consumers.

Answer: Both assertion and reason are true, and reason is the correct explanation.

Explanation: Retailers gather first-hand information from consumers and pass it on to manufacturers, enabling improvements and innovations.

3. Assertion: Wholesalers bear the risk of storage and spoilage.

Reason: Wholesalers sell goods to final consumers.

Answer: Assertion is true but reason is false.

Case Studies

1. Case Study: A company sells its products only in India through its chain of distributors and retailers. The business has grown significantly due to efficient internal trade practices.

Q1: Identify the type of trade.

Ans: This is internal trade since it is confined to the country's territory.

Q2: How does internal trade contribute to business growth?

Ans: Internal trade increases market reach, improves supply chain efficiency, and ensures customer satisfaction which promotes business growth.

Q3: Mention any two features of internal trade.

Ans: Two features: (i) Transactions take place in local currency. (ii) Goods move within domestic boundaries.

2. Case Study: ABC Retailers sources groceries from a wholesale market and sells to customers in their locality. They offer free home delivery and credit facilities.

Q1: Which type of trader is ABC?

Ans: ABC is a retailer, dealing directly with final consumers.

Q2: Mention two services provided by them.

Ans: They provide convenience through home delivery and support customers through credit.

Q3: How do they add value to the supply chain?

Ans: Retailers make goods accessible, promote customer satisfaction, and help in the distribution process.

3. Case Study: Mr. Kapoor is a wholesaler dealing in electronic goods. He supplies these goods to retailers in different cities and provides them with guidance on product display and customer preferences.

Q1: What kind of trade is this?

Ans: This is wholesale trade.

Q2: Name two services provided by the wholesaler.

Ans: Wholesalers provide technical advice and maintain product availability.

Q3: Why are wholesalers important for manufacturers?

Ans: They ensure steady demand, reduce inventory burden for manufacturers, and extend market reach.

Ch-10:-INTERNATIONAL BUSINESS

Concept of International Business

International Business



```
graph TD; IB[International Business] --> Export[A product which is sold to a buyer in the global market is called an export]; IB --> Import[A product which is bought from a supplier in the global market is called an import];
```

A product which is sold to a buyer in the global market is called an export

A product which is bought from a supplier in the global market is called an import

Benefits of International Business:-

Benefits to Nations:-

- 1) International business helps a country to earn foreign exchange which it can later use for meeting its imports of other goods.
- 2) Produce what your country can produce more efficiently, and trade the surplus production so generated with other countries to procure what they can produce more efficiently.
- 3) Exporting and flourishing in International trade helped in improving their growth prospects and created opportunities for employment of people.
- 4) Due to International business, people in the world community are able to consume and enjoy a higher standard of living.

Benefits to Firms:-

- 1) When the domestic prices are lower, business firms can earn more profits by selling their products in countries where prices are high.
- 2) Making use of surplus production capacities & thereby improving the profitability of operations.
- 3) When demand in home country gets saturated, the company can think of growth prospects in developing countries.
- 4) When competition in the domestic market is very intense, internationalization seems to be the only way to achieve significant growth.

Meaning and objectives of export trade

Export Trade refers to selling goods and services produced in the home country to foreign country or across the border.

Objectives:

1. To sell surplus goods
2. To make Better utilization of Resources
3. To earn foreign exchange
4. To increase National Income
5. To generate Employment
6. To increase Government Revenue

Export Process

- | | |
|---|-----------------------------------|
| 1)Receipt of Enquiry and sending quotations | 2)Receipt of order or indent |
| 3)Accessing importer's credit worthiness | 4)Obtaining export licence |
| 5)Obtaining pre-shipment Finance | 6)Production or Procurement of |
| Goods | |
| 7)Pre-shipment Clearance | 8)Obtaining Certificate of Origin |
| 9)Reserving shipping space | 10)Package and forwarding |
| 11)Insurance of Goods | 12)Customs Clearance |
| 13)Obtain Mate's Receipt | 14)Payment of Freight |
| 15)Preparation of Invoice | 16)Securing Payment |

Meaning and objectives of import trade

Import trade refers to buying goods and services from another country.

Objectives:

1. To speed up industrialisation
2. To meet consumer demand
3. To improve Standard of living
4. To overcome Natural Calamities
5. To ensure National Defence

Import Process

- | | |
|------------------------------|--|
| 1)Trade enquiry | 2)Procurement of import licence |
| 3)Obtaining foreign exchange | 4)Placing order or indent |
| 5)Obtaining Letter of Credit | 6)Arranging of finance |
| 7)Receipt of shipment advice | 8)Retirement of import documents |
| 9)Arrival of goods | 10)Custom clearance & release of goods |

DOCUMENTS USED IN EXPORT TRANSACTIONS

Documents required in an export transaction

1. Documents related to goods

1. **Export Invoice:** An export invoice is a bill prepared by the seller giving information about the quantity of bill, the number of packages, the amount of bill, the name of the destination port, terms of delivery, etc.

2. **Packing list:** The packing list states the number of packs and the nature of goods contained within the packages.

3. **Certificate of origin:** A certificate of origin specifies the name of the country in which goods are being produced. It helps the exporter to avail of the benefits given by the importer country to an exporter of some specific countries.

4. **Certificate of inspection:** A certificate of inspection acts as a guarantee that goods to be exported are of good quality. Such a certificate is issued by government authorized agencies, such as the Export Inspection Council of India (EICI).

2. Documents related to shipment

1. **Mate's receipt:** A Mate's receipt is issued by the captain of the ship to the Port Superintendent after the goods are loaded on the ship. Port Superintendent, on receipt of port charges, passes on the receipt to the exporter or the C&F agent. The mate's receipt is important for computing freight charges.

2. **Shipping Bill:** A shipping bill is issued by an export firm that gives details of the goods, the name and address of the exporter, the name of the loading port, the name of the destination, and so on. The shipping bill is the most important document required to obtain customs clearance.

3. **Bill of lading:** After the computation of freight charges, the shipping company issues a bill of lading issued as proof of accepting and delivering the goods to their destination. When the transit is done through the airways, Airway Bill is issued instead of the bill of lading.

4. **Marine insurance policy:** Marine insurance policy is a certificate issued by an insurance company as a promise to indemnify any loss of the insured goods in case of transit-related tragedies.

3. Documents related to payment

1. **Letter of credit:** A letter of credit is a guarantee given by the importer's bank that in case of non-payment by an importer, the bank shall pay a certain amount of export bill to the exporter's bank on the behalf of the importer.

2. **Bill of exchange:** Bill of exchange is a financial instrument drawn by an exporter in the name of the importer for demanding a payment related to the export consignment. The exporter's bank transfers the necessary documents to the importer only after acceptance of a bill of exchange.

3. **Bank certificate of payment:** Bank certificate of payment is a certificate to ensure that the important documents related to a particular export consignment have been transferred to the importer and the payment has been received.

Documents used in an Import Transaction

- 1. Proforma Invoice:** Is a document that contains details as to the quality, grade, design, size, weight price and so on, of the export product.
- 2. Import order or Indent:** It is a document in which the importer orders for supply of requisite goods to the exporter.
- 3. Shipment advice:** The exporter sends shipment advice to the importer for informing him that the shipment of goods has been made. It contains invoice number bill of lading/airways bill number & date, name of the vessel with date, the port of export, description of goods & quantity & the date of sailing of the vessel.
- 4. Bill of Lading:** It is prepared & signed by the master of the ship acknowledging the receipt of goods on board, it contains terms & conditions on which the goods are to be taken to the port of destination.
- 5. Bill of entry** - Is a form supplied by the customs office to the importer containing information such as name, the address of the importer, name of the ship, no. of packages, description of goods, name, the address of exporter, port of destinations, customs duty payable.
- 6. Letter of Credit:** It is document that contains a guarantee from the importer bank to the exporter is bank that it is undertaking to honour the payment up to a certain amount of the bills issued by the exporters for exports of the goods to the importer.

DOCUMENTS USED IN INTERNATIONAL TRADE

- 1.Import order or Indent:** Discuss as above.
- 2.Letter to credit:** Discuss as above.
- 3.Shipping Bill:** Discuss as above.
- 4. Mate's Receipt:** This receipt is issued by the captain or mate of the ship to the exporter after the goods are loaded on board of the ship. It contains name of the vessel, description of packages, marks, conditions of the cargo at the time of receipt onboard the ship etc.
 - a. Document Against Acceptance** DA payment term in export, is an arrangement where the buyer is required to make the payment only after a specific duration. In this mode, the buyer accepts the time draft and makes a promise to pay. Once this acceptance is received, the bank can release the documents to the buyer
 - b. Documents Against Payment** Collection terms of payment that require the drawee to pay a draft prior to receiving the accompanying documents. Typically, such collections include a document that restricts possession or ownership, thereby forcing the drawee to honour the draft in order to obtain the relevant goods.

World Trade Organization (WTO)

It came into existence on 1st January 1995. The headquarters of WTO is situated at Geneva, Switzerland. It is concerned with solving trade problems between countries and providing a forum for multilateral trade negotiations.

Objectives of WTO:

I) To reduce the trade tariffs and barriers imported by different countries II) To improve the standard of living, create employment, increase income and effective demand and facilitate higher production and trade.

III) To maintain sustainable development by optionally using the world's resources.

IV) To promote an integrated, more viable and durable trading system among nations.

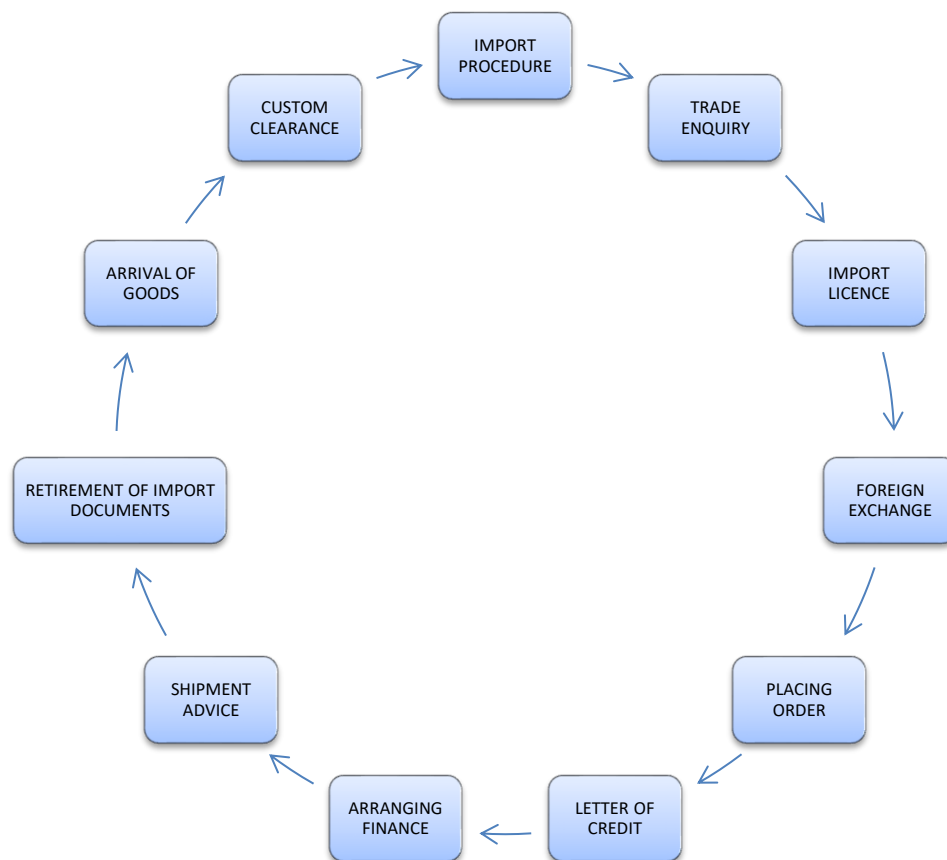
Important Terms Used in External Trade:

1. Free on Board (FOB):- Freight is paid by importer and he only bears all the risk.

2. Cost and Freight (C&F):- Under this, freight is paid by the exporter and he bears the risk till goods reach the importer's country.

3. Cost, Insurance and Freight (CI&F):- Under this policy, the exporter bears freight charges and cost along with marine insurance policy

MIND MAP



EXPORT PROCEDURE

- RECEIPT OF ENQUIRY
- RECEIPT OF ORDER
- ASSESING CREDIT WORTHINESS
- EXPORT LICENCE
- PRE SHIPMENT FINANCE
- PRODUCTION AND PROCUREMENT OF GOODS
- EXCISE CLEARANCE
- CERTIFICATE OF ORIGIN
- RESERVATION OF SHIPPING SPACE
- PACKING AND FORWARDING
- INSURANCE OF GOODS
- CUSTOM CLEARANCE
- MATE'S RECEIPT
- PAYMENT OF FREIGHT
- PREPARATION OF INVOICE
- SECURING PAYMENT

Multiple Choice Questions

1) Which of the following do not form part of the duty drawback scheme?

- a) a) Refund of excise duties b) Refund of customs duties
c) Refund of export duties d) Refund of income dock charges at the port of shipment.

Ans(d)

2) Which one of the following is not a part of export documents?

- (a) Commercial invoice (b) Certificate of origin
(c) Bill of entry (d) Mate's receipt

Ans(C)

3) Pre-shipment Inspection is not compulsory for:

- (a) Export Houses (b) 100% Export Oriented Units
(c) Star Trading Houses (d) All of these

Ans (D)

ASSERTION REASONING QUESTIONS

1)Assertion(A):- Though, WTO is a successor to GATT, it is much more powerful body than GATT

REASON(R):-It governs trade not only in goods, but also in services and intellectual property rights.

Options:

- a) Both A and R are true, and R is the correct explanation of A.
- b) Both A and R are true, but R is not the correct explanation of A.
- c) A is true, but R is false.
- d) A is false, but R is true.

Ans(A)

2)Assertion(A):-International Business can be more profitable than domestic business

Reason (R):- When domestic prices are lower, business firms can earn more profits by selling their products in countries where prices are high.

Options:

- a) Both A and R are true, and R is the correct explanation of A.
- b) Both A and R are true, but R is not the correct explanation of A.
- c) A is true, but R is false.
- d) A is false, but R is true

Ans (A)

3) Assertion (A) : Letter of Credit is the most appropriate and secure method of payment to settle international transactions.

Reason (R) : Letter of credit is a guarantee issued by the exporter's Bank

Options:

- a) Both A and R are true, and R is the correct explanation of A.
- b) Both A and R are true, but R is not the correct explanation of A.
- c) A is true, but R is false.
- d) A is false, but R is true

Ans C

Case studies

1) Prateek wants to export auto spare parts to Mr. Dev in Switzerland. Mr. Dev has asked for an enquiry to seek information about availability of goods, price, quality and terms and conditions for export of goods. In response to the enquiry, Pradeep sends a reply in the form of Proforma Invoice. Mr.Dev found the price and terms and conditions acceptable. So, he placed the order for goods. After verifying the creditworthiness of Mr.Dev, Pradeep obtains

an export license and arranges the pre-shipment finance. On the basis of given case study, state the next steps to be followed by Prateek related to the procedure of export trade.

Ans: The next steps to be followed by Prateek in the export trade are:

- | | | | |
|-------|--|--------|---------------------------------|
| (I) | Production or Procurement of Goods | (II) | Pre-shipment Inspection |
| (III) | Excise Clearance | (IV) | Obtaining Certificate of Origin |
| (V) | Reservation of Shipping Space | (VI) | Packing and Forwarding |
| (VII) | Insurance of Goods | (VIII) | Customs Clearance |
| (IX) | Obtaining Mates Receipt
of Bill of Lading | (X) | Payment of Freight and Issuance |
| (XI) | Preparation of Invoice | (XII) | Securing Payment. |

2) Surbhi runs a handicrafts business in Rajasthan. She recently received an order from a buyer in France. She completed all the documentation, packed the goods properly, and sent them to the port for shipment. She also applied for an export license and got an insurance policy for the goods.

- i). What kind of trade is Surbhi involved in?
 - ii). Name any two documents she would require for the export procedure.
 - iii). Why did Surbhi take an insurance policy?
 - iv). Mention one advantage of international trade for Surbhi.
 - v) Name the mode of entry into international business used by Surbhi.
- Ans:-. i) Surbhi is involved in international trade /export trade.
- ii). Export documents: Bill of Lading, Certificate of Origin.
 - iii) To cover the risk of damage or loss of goods during transit.
 - iv) Expansion of market and better prices for her handicrafts.
 - v). Direct Exporting.

3) Kiran is an importer of electronic gadgets in India. She places an order with a Chinese supplier for 100 mobile phones. Before the goods arrive, she ensures to obtain an import license, arranges for foreign exchange, and clears the goods through customs on arrival.

- i) What type of trade is Kiran involved in?
- ii) Name the first step in the import procedure.
- iii) Why is foreign exchange needed for imports?
- iv) Name any two documents required during the import procedure.
- v) Who inspects the goods at the port?

Ans: i) Import trade ii) Trade enquiry or Obtaining an import license iii) To make payments in foreign currency to the supplier. iv) Bill of Entry, Import License v) Customs authorities.

Kendriya Vidyalaya Sangathan

SAMPLE PAPER SET1 (Solved)

Class XI

Business studies (054)

Max Mark 80

Time:3 Hrs

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answer should be brief and to the point
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 Marks maybe about 150 words.
6. Answers to the questions 6 marks maybe about 200 words.
7. Attempt all parts of the questions together

1	Identify the activity which is not an auxiliary to trade? (a) Banking (b) Warehousing (c) Insurance (d) Mining	1
2	Mr. Naresh Batra a businessman, incurred some financial Loss due to the dishonesty of his workers. This loss is caused due to— (a) natural (b) financial (c) human (d) economic OR Which of the following is not a true statement? a. The scope of commerce is narrower than business. b. Commerce includes trade and auxiliaries to trade. c. Foreign trade is purchase and sale by the traders of the same country. d. Traders serve as a link between producers and consumers.	1
3	Assertion (A): Every profession restricts the entry on the basis of examination or education. Reason (R): A strict code of conduct exists in every profession. Both the Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) Both the Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A) Assertion (A) is true, but Reason (R) is false Assertion (A) is false, but Reason (R) is true	1
4	Read the following statements carefully and choose the correct alternative from the following: Statement 1: Primary industries can be further classified as manufacturing industry and construction industry Statement 2: Tertiary industry tries to remove various hindrances which arises during production and distribution of goods and services Alternatives: A. Both the statements are true. B. Both the statements are false. C. Statement 1 is true and Statement 2 is false. D. Statement 2 is true and Statement 1 is false.	1

5	<p>It can continue as long as the partners want and is terminated when any partner gives a notice of withdrawal from partnership to the firm</p> <p>a) Partnership at will b) Particular partnership c) General partnership d) Limited partnership</p>	1
---	--	---

6	<p>Sending quotation of supplying raw material by one businessman to another is called ----</p> <p>a) B2B commerce b) B2C commerce c) C2C commerce d) Intra-B</p>	1										
7	<p>“It has a wide reach as on one hand it allows the seller and access to the global market and on the other hand, it offers to the buyer, freedom to choose, products from almost any part of the world.” Which benefit of e-business is described in above lines?</p> <p>(a) Speed (b) Ease of formation (c) Global reach (d) Convenience</p>	1										
8	<p>Match the following:</p> <table><tr><th>Column A</th><th>Column B</th></tr><tr><td>a) Formed by an agreement</td><td>(i) Joint stock company</td></tr><tr><td>b) Not sharing profits</td><td>(ii)co-operative society</td></tr><tr><td>c) One man one vote</td><td>(iii)partnership business</td></tr><tr><td>d) Transferability of shares</td><td>(iv)sole proprietorship</td></tr></table> <p>1. a-ii, b- iv, c- i , d-iii 2. a-iii, b-iv, c-ii, d-i 3. a-iv, b-i, c-ii, d-iii 4. a-iii, b-ii, c-iv, d-i</p>	Column A	Column B	a) Formed by an agreement	(i) Joint stock company	b) Not sharing profits	(ii)co-operative society	c) One man one vote	(iii)partnership business	d) Transferability of shares	(iv)sole proprietorship	1
Column A	Column B											
a) Formed by an agreement	(i) Joint stock company											
b) Not sharing profits	(ii)co-operative society											
c) One man one vote	(iii)partnership business											
d) Transferability of shares	(iv)sole proprietorship											
9	<p>Star Ltd. uses rocks, trees, electric poles, walls of historical monuments to advertise its products. This advertising policy has made their product known to the public. Identify the group whose responsibility is ignored by Star Ltd.</p> <p>(a) Government (b) Consumer (c) Society (d) Investor</p>	1										
10	<p>Which of the following is not an argument in favour of social responsibility?</p> <p>a. Lack of broad public support b. Converting problems into opportunities c. Better environment for doing business d. Maintenance of society</p>	1										
11	<p>'Performance and credit rating' scheme is implemented by:</p> <p>a. District Industries Centers b. National Small Industries Corporation c. National Bank for Agriculture and Rural Development d. Small Industries Development Bank of India</p>	1										
12	<p>Retailer who sells the goods in weekly markets are known as:</p> <p>a. Cheap Jacks b. Hawkers c. Market Traders d. Pavement Vendors</p> <p style="text-align: center;">OR</p> <p>Which of the following comes under the fixed shop small retailers?</p> <p>a) Single Line Stores b) Street Stall Holders c)Specialty Shops d) All of these</p>	1										
13	<p>Chairperson of the GST council is:</p> <p>a) President b) Finance Minister c) Prime Minister d) None of these</p>	1										

14	Letter of credit is a guarantee issued by: a) Exporter's Bank b) Importer c) Importer's Bank d) Exporter	1
15	Which of the following documents is not required in connection with an import transaction? a) Bill of lading b) Shipping bill c) Certificate of origin d) Shipment advice	1
16	In a survey conducted by the Government of India, it was found that many farmers of the country are unable to secure loan for their agricultural needs. Keeping this in mind, the Government decided to form a Public Enterprise under a special Act of the Parliament, which will be free from government interference and will have financial and operational autonomy. Which type of Public Enterprise would you suggest to the government? Departmental Undertaking b) Statutory Company Statutory Corporation c) Government Company	1
	Read the following text and answer question No.17-20 on the basis of the same. Isha is the finance manager of Vertigo Chemicals Ltd. The company wants to expand its business activities, for which it requires funds of Rs 25 crore. Isha is of the opinion that company should raise funds by issue of share capital instead of raising funds through borrowed funds like debentures, loans, etc. But, the shareholders of the company do not want to go for issue of shares and are interested in raising funds through borrowed funds. This matter was discussed in the Annual General Meeting of the Company and Isha convinced the shareholders to go for Share Capital.	
17	The control of shareholders will get diluted if the company raises the capital through: (a) Equity Shares (b) Debentures (c) Loans from Financial Institutions (d) Preference Shares	1
18	Payment of interest is a legal compulsion on the company when funds are raised through issue of: (a) Equity Shares b) Debentures (c) Both (a) and (b) d) None of these	1
usually have a charge on the assets of the company, while do not create any charge on assets of the company. (a) Debentures, Shares b) Shares, Debentures (c) Shares, Loans from Financial Institutions d) None of these	1
20	Which of the following is not a feature of Borrowed Funds? a. No Control over management of the Business b. Periodic Interest Payment c. Permanent Capital d. All of the above	1
21	Subodh is a wholesaler of A4 Photocopy Paper. He purchases paper in bulk quantities, which enables the manufacturer to take advantage of economies of scale. Subodh purchases paper from manufacturers on cash basis and sometimes even give advance money for bulk orders. As Subodh is in direct contact with the retailers, he keeps informing the manufacturer about the changes in customers' preferences, market conditions, etc. Identify the 'Services of Wholesalers to Manufacturers' being provided by Subodh by quoting lines from the given case.	3
22	On the death of Mr. Kamal Gupta, his business is inherited by his three sons, Karan, Arjun and Nakul who carry on the business under the form of Joint Hindu Family Business. However, there is a dispute between the three brothers as to who should become karta. Karan, the eldest brother, want to exercise control over the business, while Arjun and Nakul do not agree to that. Who amongst the three brothers can become karta? Also, comment upon the liability of each member. OR Prabhat and Ranjan are in the manufacturing business of leather belts and wallets. Both of them share profits and losses in the ratio of 3:2. Prabhat has invested a capital of Rs 10 lakhs, while Ranjan has invested Rs 7 lakhs in the business. Identify the form of business	3

	organisation in which both of them have promoted their business. Also, state any two features of this form of business organisation.	
23	Describe any three elements of business ethics. OR Explain any three roles of business in environment protection	3
24	Namit established a snack (Namkeen, Chips, Biscuits, etc.) manufacturing unit in Punjab. Namit invested Rs.7 crore in Plant and Machinery. He has decided to allocate 10% profit for educational and health needs of employees and their family members. On the basis of given information, answer the following questions: Which Act of Industries is applicable to the above manufacturing unit? Identify the category in which Namit's business will be placed as per the Act identified in part (i). What is the maximum investment limit of the category in which Namit's business has been placed?	3
25	These are the unsecured deposits invited by companies from the public mainly to finance working capital needs. A company can use this source of finance for a period of six months to three years. Therefore, they are primarily a source of short-term finance. However, they can be renewed from time-to-time. Renewal facility enables companies to use them as medium-term finance. Amount raised from this source of finance cannot exceed 25% of its share capital and free reserves. Companies prefer this source of finance because they are cheaper than bank loans and investors prefer it because rate of interest on this source is higher than on bank deposits. Identify the source of finance highlighted in the given case (ii)State any three features of source of finance highlighted in (i) above.	4

26	When commencing a business, businessmen have multiple choices as to the kind of business entity that they can form. The Indian Company Law gives options including Private Company, Public Company, OPC, etc. A businessman can form an entity as per the amount to be invested, a number of members, the burden of liabilities, etc. Off late, there are several benefits of private companies over public limited companies. Hence, there are various reasons why it has become a top-most choice of businessmen and is being chosen over the option of Public Company. State the various privileges that the Private Company have over Public Company.	4
27	Briefly explain the benefits of e-business OR Distinguish e-business from traditional business	4
28	Explain the role of profit in business. OR Explain the nature of business risks.	4
29	"Entrepreneurs are frequently thought of as national assets to be cultivated, motivated, and remunerated to the greatest possible extent. In fact, some of the most developed nations such as the United States are world leaders due to their forward-thinking innovation, research, and entrepreneurial individuals. Great entrepreneurs have the ability to change the way we live and work, on local and national bases. If successful, their innovations may improve standards of living, and in addition to creating wealth with entrepreneurial ventures, they also create jobs and contribute to a growing economy. The importance of entrepreneurship is not to be understated." Do you agree with this? Give reasons to justify your answer.	4

30	Pluto Electricals Ltd. has been successfully manufacturing electrical accessories for the past ten years. As the profit margin is good, the company has been managing all the financial requirements of the business through the profits reinvested in the business. Identify the source of finance being mentioned in the given case and state its three features.	4
31	Explain the basic principles of Insurance OR What do you mean by banking? Explain different types of bank accounts briefly.	6
32	Harshul owns a large-scale retail outlet at a central location in Kanpur. The outlet is divided into a number of sections and each section deals in a particular variety of goods. There is a separate section for toiletries, fruits and vegetables, groceries, electronics and clothing. (a) Identify the type of retail outlet being highlighted in the given case (b) State three advantages and two limitations of the type of retail outlet as identified in part (a) of the question	6
33	Max Ltd. is a big company engaged in manufacturing of car accessories. Its head office is in Paris and it operates in more than 20 countries. The company has huge financial resources and is always engaged in research and development activities. Identify the form of enterprise. Explain any five features of the same. OR Explain any three merits and limitations of Departmental Undertakings?	6
34	Pradeep wants to export auto spare parts to Mr. David in Switzerland. Mr. David has asked for an enquiry to seek information about availability of goods, price, quality and terms and conditions for export of goods. In response to the enquiry, Pradeep sends a reply in the form of Proforma Invoice. Mr. David found the price and terms and conditions acceptable. So, he placed the order for goods. After verifying the creditworthiness of Mr. David, Pradeep obtains an export license and arranges the pre-shipment finance. On the basis of given case study, state the next 6 steps to be followed by Pradeep related to the procedure of export trade.	6

SAMPLE PAPER SET-1
ANSWER KEY

1	(d) Mining	
2	(c) human OR c) foreign trade is purchase and sale by the traders of the same country.	
3	(b) Both the Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)	
4	(d) Statement 2 is true and Statement 1 is false.	
5	(a) Partnership at will	
6	(a) B2B commerce	
7	(c) Global reach	
8	(B)a-iii,b-iv,c-ii,d-i	
9	(c) Society.	
10	(a) Lack of broad public support	
11	(c) National Bank for Agriculture and Rural Development	
12	(c) Market Traders OR (d) All of these	

13	(b) Finance Minister	
14	(c) Importer's Bank	
15	(b) Shipping bill	
16	(C) Statutory Corporations	
17	(a) Equity Shares	
18	(b) Debentures	
19	(a) Debentures, Shares	
20	(c) Permanent Capital	
21	Facilitating Large-scale Production: 'He purchases paper in bulk quantities, which enables the manufacturer to take advantage of economies of scale. Financial Assistance: 'Subodh purchases paper from manufacturers on cash basis and sometimes even give advance money for bulk orders Expert Advice: As Subodh is in direct contact with the retailers, he keeps informing the manufacturer about the changes in customers' preferences, market conditions etc	3
22	Karan, the eldest brother; rest of them having limited liability and Karan will have unlimited liability OR Partnership any 3 features	3
23	any three elements of business ethics. OR any three roles of business in environment protection	3
24	(i) Micro, Small and Medium Enterprises Development (MSMED) Act, 2006. (ii) His manufacturing unit is Small Enterprise. operating below the full capacity level (iii) due to shortage of demand 10 Crore.	3
25	(i) Public Deposits. Three features of Public Deposits are: (ii) Simple Procedure: It is a simple method of raising finance as it does not involve legal formalities and does not contain restrictive conditions like in case of other loan agreements. Economical: It is an economical source of finance as cost of obtaining deposits from public is generally lower than the cost of borrowings from banks and financial institutions. No Security: The public deposits are not secured by any charge on the assets of the company. The assets can be used as security for raising loans from other sources.	4

26	<p>A private company can be formed by only two members whereas seven people are needed to form a public company.</p> <p>There is no need to issue a prospectus as public is not invited to subscribe to the shares of a private company.</p> <p>Allotment of shares can be done without receiving the minimum subscription.</p> <p>A private company can start business as soon as it receives the certificate of incorporation. The public company, on the other hand, has to wait for the receipt of certificate of commencement before it can start a business.</p> <p>A private company needs to have only two directors as against the minimum of three directors in the case of a public company.</p> <p>A private company is not required to keep an index of members while the same is necessary in the case of a public company.</p> <p>There is no restriction on the amount of loans to directors in a private company. Therefore, there is no need to take permission from the government for granting the same, as is required in the case of a public company.</p>	4
27	<p>Ease of formation – It is very easy to start due to less legal formalities and with a limited investment.</p> <p>Convenience – Internet offers the convenience of 24 hours business.</p> <p>Speed – Internet allows faster services.</p> <p>Global reach – It provides a boundary less market.</p> <p>Movement towards a paperless society – Use of internet has considerably reduced dependence on paperwork</p>	4

OR

	<table border="1"> <thead> <tr> <th>Basis</th><th>Traditional Business</th><th>e-Business</th></tr> </thead> <tbody> <tr> <td>1. Ease of Formation</td><td>Difficult</td><td>Simple</td></tr> <tr> <td>2. Physical presence</td><td>Required</td><td>Not required</td></tr> <tr> <td>3. Location requirement</td><td>Important</td><td>Not important</td></tr> <tr> <td>4. Cost of setting up</td><td>High</td><td>Low</td></tr> <tr> <td>5. Operating cost</td><td>High</td><td>Low</td></tr> <tr> <td>6. Contact with suppliers and customers</td><td>Indirect through intermediaries</td><td>Direct</td></tr> <tr> <td>7. Business process and length of cycle</td><td>Long time</td><td>Shorter</td></tr> <tr> <td>8. Interpersonal touch</td><td>More</td><td>Less</td></tr> <tr> <td>9. Ease of going global</td><td>Less</td><td>More</td></tr> <tr> <td>10. Employees</td><td>Semi-skilled unskilled</td><td>Technically and professionally qualified</td></tr> <tr> <td>11. Transaction risk</td><td>Low due to face to face contact</td><td>High due to lack of personal contact</td></tr> </tbody> </table>	Basis	Traditional Business	e-Business	1. Ease of Formation	Difficult	Simple	2. Physical presence	Required	Not required	3. Location requirement	Important	Not important	4. Cost of setting up	High	Low	5. Operating cost	High	Low	6. Contact with suppliers and customers	Indirect through intermediaries	Direct	7. Business process and length of cycle	Long time	Shorter	8. Interpersonal touch	More	Less	9. Ease of going global	Less	More	10. Employees	Semi-skilled unskilled	Technically and professionally qualified	11. Transaction risk	Low due to face to face contact	High due to lack of personal contact	4
Basis	Traditional Business	e-Business																																				
1. Ease of Formation	Difficult	Simple																																				
2. Physical presence	Required	Not required																																				
3. Location requirement	Important	Not important																																				
4. Cost of setting up	High	Low																																				
5. Operating cost	High	Low																																				
6. Contact with suppliers and customers	Indirect through intermediaries	Direct																																				
7. Business process and length of cycle	Long time	Shorter																																				
8. Interpersonal touch	More	Less																																				
9. Ease of going global	Less	More																																				
10. Employees	Semi-skilled unskilled	Technically and professionally qualified																																				
11. Transaction risk	Low due to face to face contact	High due to lack of personal contact																																				
28	<p>It is a source of income for business persons, it can be a source of finance for meeting expansion requirements of business, it indicates the efficient working of business, it can be taken as society's approval of the utility of business and it builds up the reputation of a business enterprise.</p> <p>OR</p> <p>Business risks arise due to uncertainties, Risk is an essential part of every business, Degree of risk depends mainly upon the nature and size of business, and Profit is the reward for risk taking.</p>	4																																				
29	Yes, I agree that entrepreneurship is very important. Explain the 'Need for Entrepreneurship	4																																				
30	Source of finance mentioned in the given case is 'Retained Earnings. Discuss -'Features of Retained Earnings	4																																				
31	<p>Utmost good faith: A contract of insurance is a contract of uberrimae fidei i.e. a contract founded on utmost good faith. Both the insurer and the insured display good faith towards each other in regard to the contract.</p> <p>Insurable interest: The insured must have an insurable interest in the subject matter of insurance. Insurable interest means some pecuniary interest in the subject matter of the insurance contract.</p> <p>Indemnity: According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against.</p>																																					

	<p>Proximate cause: When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is a natural consequence.</p> <p>Subrogation: It refers to the right of the insurer to stand in the place of the insured, after settlement of a claim, as far as the right of the insured in respect of recovery from an alternative source is involved.</p> <p>Contribution: As per this principle it is the right of an insurer who has paid claim under an insurance, to call upon other liable insurers to contribute for the loss payment.</p> <p>Mitigation: This principles states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property</p> <p style="text-align: center;">OR</p> <p>Meaning---- Savings, Current, Fixed, Recurring, MOD</p>	
--	---	--

32	<p>The type of retail outlet being highlighted is 'Departmental Store.</p> <p>Three Advantages of Departmental Stores are:</p> <p>i. Attract large number of customers: These stores are generally located in the centre of the city. As a result, they are able to attract a large number of customers. ii.</p> <p>Convenience in buying: A departmental store offers wide range of goods. Customers do not have to run from one shop to another because they can do all shopping under one roof.</p> <p>iii. Attractive services: Most of the departmental stores provide numerous services to their customers, like liberal credit, free home delivery, execution of telephone orders, telephone facilities, etc. All such services make shopping a pleasant experience.</p> <p>Two limitations of Departmental Stores are:</p> <p>Lack of personal attention: There is lack of personal touch in a departmental store as it is very difficult to give personal attention to large number of customers visiting the store every day.</p> <p>High operating cost: The operating cost of running the departmental stores is very high due to extensive services and facilities offered by them to the customers</p>	6
----	--	---

33	<p>Global enterprises thus are huge industrial organisations which extend their industrial and marketing operations through a network of their branches in several countries. Features: These corporations have distinct features which distinguishes them from other private sector companies, public sector companies and public sector enterprises i.e.,</p> <p>i. Huge capital resources, (ii) Foreign collaboration, (iii) Advanced Technology, (iv) Product innovation, (v) Marketing strategies, (vi) Expansion of market territory (vii) Centralised control</p> <p style="text-align: center;">OR</p> <p>Departmental undertakings – advantages: These undertakings facilitate the Parliament to exercise effective control over their operations; These ensure a high degree of public accountability; The revenue earned by the enterprise goes directly to the treasury and hence is a source of income for the Govt; Where national security is concerned, this form is most suitable since it is under the direct control and supervision of the concerned Ministry.</p> <p>Limitations: Departmental undertakings fail to provide flexibility, which is essential for the smooth operation of business; The employees or heads of departments of such undertakings are not allowed to take independent decisions, without the approval of the ministry concerned. This leads to delays, in matters where prompt decisions are required; These enterprises are unable to take advantage of business opportunities. The bureaucrat's over-cautious and conservative approval does not allow them to take risky ventures; There is red tapism in day-to-day operations and no action can be taken unless it goes through the proper channels of authority; There is a lot of political interference through the ministry; These organisations are usually insensitive to consumer needs and do not provide adequate services to them.</p>	6
34	<p>Steps to be followed by Pradeep in the export trade are:</p> <p>Production or Procurement of Goods Pre-shipment Inspection Excise Clearance Obtaining Certificate of Origin Reservation of Shipping Space Packing and Forwarding</p>	6

KENDRIYA VIDYALAYA SANGATHAN
QUESTION PAPER SET -2 SOLVED

Class – XI

Sub.: Business Studies (054)

Time: 3Hrs

M.M.: 80

General instructions:

1 This question paper contains 34 questions.

Marks are indicated against each question.

Answers should be brief and to the point.

Answers to the questions carrying 3 marks may be from 50 to 75 words.

Answers to the questions carrying 4 marks may be about 150 words.


Answers to the questions carrying 6 marks may be about 200 words.

Attempt all parts of the questions together.

Q.No	QUESTION	M
1	The industries which provide support services to other industries are known as: (a) Primary industries (b) Secondary industries (c) Commercial industries (d) Tertiary industries	1
2	A business firm in India buy toys from China to sell it to Nepal. Identify the type of trading activity mentioned above? a) Entreport b) Export c) Import d) Retail trade	1
3	Name the auxiliary to trade which removes the hindrance of time: a) Warehousing b) Trade c) Transportation. d) Banking	1
4	Satish lost his job during the Covid-19 pandemic now he wants to start a business of his own in his hometown, Satish had limited finance available with him and he does not want many legal formalities to start a business, suggest Satish which forms of business organisation he should go for: a) Partnership b) Sole proprietorship c) Joint Hindu family business d) Cooperative society	1
5	Assertion (A) In a partnership firm the liability of all the partners is unlimited. Reason (R) The partners are individually as well as jointly responsible for paying off business debts. a. Both A and R are true. R is the correct explanation of A b. Both A and R are true, but R is not the correct explanation of A c. A is correct, but R is incorrect d. A is incorrect, but R is correct	1
6	Ramesh is presenting himself as a partner of ABC Associates through his conduct or behaviour. Clients dealing with the firm accept him as a partner due to his self-acclaimed attitude of being a partner of the firm. Which type of partner Mr. Ramesh is referred to in the above case? (a) Active Partner (b) Sleeping Partner (c) Secret Partner (d) Partner by Estoppel	1

7	Match the following with the appropriate type of enterprise:	1										
	<table><tr><th>ENTERPRISE</th><th>TYPE</th></tr><tr><td>i. Walmart</td><td>A) Departmental undertaking</td></tr><tr><td>ii. Food Corporation of India</td><td>B) Government Company</td></tr><tr><td>iii. Bharat Heavy Electricals LTD.</td><td>C) Statutory Corporation</td></tr><tr><td>iv. Indian Railways</td><td>D) Global enterprise</td></tr></table>		ENTERPRISE	TYPE	i. Walmart	A) Departmental undertaking	ii. Food Corporation of India	B) Government Company	iii. Bharat Heavy Electricals LTD.	C) Statutory Corporation	iv. Indian Railways	D) Global enterprise
	ENTERPRISE		TYPE									
	i. Walmart		A) Departmental undertaking									
	ii. Food Corporation of India		B) Government Company									
	iii. Bharat Heavy Electricals LTD.		C) Statutory Corporation									
iv. Indian Railways	D) Global enterprise											
a. i – d,ii -c,iii-b,iv-a												
b. i – a,ii -c,iii-b,iv-a												
c. i – b,ii -c,iii-b,iv-a												
d. i – c,ii -c,iii-b,iv-a												
8	<p>The funding of which of the following enterprises comes directly from the government treasury, is under an annual appropriation from the budget of the government, and the revenue earned by it is also paid into the treasury?</p> <p>(a) Departmental undertaking (b) Statutory corporation (c) Government company (d) Cooperatives</p>	1										
9	<p>Stages in the formation of a public company are in the following order</p> <p>a. Capital Subscription, Promotion, Incorporation, Commencement of Business b. Incorporation, Capital of Business, Capital Subscription Commencement of Business, Promotion c. Promotion, Incorporation, capital subscription, commencement of business d. Promotion, commencement of business</p>	1										
10	<p>Janak lal insured his property with two insurers, AIG Ltd. for Rs 200,000 and Shree krishnan General Insurance for Rs. 600,000. His loss of property actually was for Rs. 400,000. What amount he can claim from both the insurers?</p> <p>a. AIG Ltd- 200,000, Shree krishnan General Insurance-200,000 b. AIG Ltd- 100,000, Shree krishnan General Insurance-300,000 c. AIG Ltd- 300,000, Shree krishnan General Insurance-100,000 d. AIG Ltd- 280,000, Shree krishnan General Insurance-120,000</p>	1										
11	<p>..... is a temporary arrangement under which a depositor is allowed to draw by cheque more than the amount available to his credit up to a specified limit.</p> <p>(a) Cash credit (b) Term loan (c) Bank overdraft (d) Consumer credit</p>	1										
12	<p>Suresh Chand and Sons owns a handicraft business. They want to be acquainted with online payment mechanism system. Guide them by matching the following options:</p> <table><tr><td>(i)Payment done using UPI</td><td>(A) Credit card</td></tr><tr><td>(ii)Transfer money electronically from Bank account.</td><td>(B) Cash on delivery</td></tr><tr><td>(iii)Goods bought on credit.</td><td>(C) BHIM</td></tr><tr><td>(iv) Payment done after receiving the commodity.</td><td>(D) Debit card</td></tr></table> <p>(a)i-D, ii-C, iii- A, iv- B (b)i-B, ii-C, iii- A, iv- D (c)i-C, ii-A, iii- D, iv- B (d)i-C, ii-D, iii- A, iv- B</p>	(i)Payment done using UPI	(A) Credit card	(ii)Transfer money electronically from Bank account.	(B) Cash on delivery	(iii)Goods bought on credit.	(C) BHIM	(iv) Payment done after receiving the commodity.	(D) Debit card	1		
(i)Payment done using UPI	(A) Credit card											
(ii)Transfer money electronically from Bank account.	(B) Cash on delivery											
(iii)Goods bought on credit.	(C) BHIM											
(iv) Payment done after receiving the commodity.	(D) Debit card											

13	<p>Quick Services is a famous corporate group working in IT sector. The company provides IT services globally. It has various departments to manage its affairs like, production, sales, finance, human resources, etc. In order to ensure that there is complete interaction among these departments, the company has developed its own Internet network. It not only leads to better coordination among departments but permits well informed and faster decision, speedier work flows. The employees of the company use Internet to conduct meetings, recruit and select the employees online via video conferencing.</p> <p>Name the type of e-Commerce transaction referred above:</p> <p>(a) B2B commerce (b) B2C commerce (c) C2C commerce (d) Intra B commerce</p>	1
14	<p>Complaint lodged by a customer at the company's call center is a type of _____ of e-business transaction</p> <p>(a) C2B Commerce (b) B2C Commerce (c) Intra B Commerce (d) C2C Commerce</p>	1
15	<p>Based on the following picture, identify towards which stakeholder is the business enterprise not showing a socially responsible behavior?</p>	1

	 <p>(a) Government (b) Employees (c) Consumers (d) Owners</p>	
16	<p>Which one of the following is not the feature of preference shares:</p> <p>(a) Provides fixed rate of return (b) Provides voting rights (c) Get Preference over equity shares (d) Part of owner's capital</p>	1
17	<p>Mala Foods Ltd., generally does not distribute all its earnings amongst the shareholders as dividends. It always retains a portion of the net earnings for use in the future as a source of finance. It becomes a source of internal financing for the company. The portion of profit available for it, depends on many factors like net profits, dividend policy and size of the organisation. Name the source of finance used by the company 1</p> <p>(a) Trade credit. (b) Public deposits (c) Inter-corporate deposits (d) Retained earnings</p>	1
18	<p>A-----includes shape, pattern and arrangement of lines or colour combination that is applied to any article</p> <p>(a) Trade mark (b) copy right (c) patent (d) Design</p>	1
19	<p>The International business as it exists today is to a great extent the result of----</p> <p>a) Language specialization b) Geographical specialization c) Cultural differences d) Custom practices</p>	1

20	Identify the alternative which is not the objective of World Trade Organization. (a) to ensure reduction of tariffs and other trade barriers imposed by different countries. (b) To facilitate the optimal use of the world's resources for sustainable development. (c) To promote an integrated and more viable and durable trading system. (d) To promote an orderly international monetary system	1
21	Flipkart was founded in October 2007 by Sachin Bansal and Binny Bansal, who were both alumni of the Indian Institute of Technology Delhi and formerly worked for Amazon. The company initially focused on book sales, before expanding into other product categories such as consumer electronics, fashion, and lifestyle products. Name the type of business in which Flipkart was engaged and explain any two benefits of this business.	3

22	Preet food Industries set up food and beverages processing plant in the rural area of Haryana and opted for labour intensive technique due to easy availability of labour and to provide employment to local people. Board of director decided to invest Rs.50 lakhs to acquire plant & machinery, Rs. 1 crore to buy land, Rs. 20 Lakhs to buy raw material and Rs. 20 lakhs to maintain day to day expenses. (a) Name the Act of Industries which is applicable to the above industry. which category of part (a) will the above industry come ? (b)State the investment limit in this category.	3
23	Itinerant traders have been an integral part of internal trade in India. Analyze the reasons for their survival in spite of competition from large-scale retailers. OR Explain any three small scale fixed shop retailers	3
24	State any three key features of GST OR Explain any three services rendered by retailers to consumers.	3
25	What is business risk? Explain three causes of business risks. OR Explain any four objectives of business	4
26	"The shares of the company are purchased in the name of the President of India" a. Identify the type of company. b. Give one example of such a company existed in India. c. Explain any one merits and one limitation of it.	4
27	Distinguish between Life insurance and Fire Insurance on the following bases: (a)Subject matter (b)Duration (c)Indemnity (d)Measurement of loss OR Explain the following principles of insurance: Principle of utmost good faith Principle of subrogation Principle of proximate cause Principle of mitigation	4
28	Build up four arguments for social responsibilities of business.	4
29	Distinguish between owners' funds and borrowed funds.	4
30	Explain the role of small business in India	4

31	Explain merits and limitations of Cooperative societies (Three each) OR Explain merits and limitations of Company form of business organisation. (Three each)	6
32	Visakha Steel Company Ltd., wants to raise Rs.1000 crores for its expansion programme. The company will not return this capital in future. The company decided to pay very high dividends when the company earns good profits. The company doesn't want keep its assets as security. As a commerce student, suggest a suitable source of finance to the company. Explain any three merits and two limitations of the source suggested in point (a)	6
33	Miss Minal is working as Tax Analyst in Hyderabad. She doesn't have time to go for frequent shopping. She wants to buy all her household goods under one roof. Identify the type of retailer who can serve her purpose. Also explain any five features of such retail stores.	6
34	You are planning to import laptops from USA. (a)List the steps in the procedure in importing them. (b)State any two important documents used in import trade procedure. OR RIPPLES Industries has received an export order of 5000 kids' jeans from Walmart USA. List the steps in the export procedure you will follow to execute this export order.	6

MARKING SCHEME

A.No.	EXPECTED ANSWER	M
1	(d) Tertiary industries	1
2	a) Entreport	1
3	a) Warehousing	1
4	b) Sole proprietorship	1
5	(a) Both A and R are true. R is the correct explanation of A	1
6	(d) Partner by Estoppel	1
7	(c) i-D,ii-C,iii-B,iv-A	1
8	(a) Departmental undertaking	1
9	(c) Promotion, Incorporation, capital subscription, commencement of business	1
10	(b) AIG Ltd- 100,000, Shreekrishnan General Insurance-300,000	1
11	(c) Bank overdraft	1

12	(d)i-C, ii-D, iii- A, iv- B	1
13	(d) Intra B commerce	1
14	(a) C2B Commerce	1
15	(c) Consumers	1
16	(b) Provides voting rights	1
17	(d) Retained earnings	1
18	(d) Design	1
19	b) Geographical specialization	1
20	(d) To promote an orderly international monetary system	1

21	<p>It is E-business / E-Commerce</p> <p>Benefits of e-business: (ANY TWO)</p> <p>Ease of formation and lower investment requirements: Unlike a host of procedural requirements for setting up an industry, e-business is relatively easy to start.</p> <p>Convenience: Internet offers the convenience of 24 hours, 7 days a week, 365 days a year business that allows shopping well after midnight.</p> <p>Speed: Internet has high speed. This benefit becomes all the more attractive in the case of information regarding intensive products.</p> <p>Movement towards a paperless society: Dependence on paper work has been considerably reduced through internet. Many companies and even the government departments and regulatory authorities are going in this direction.</p> <p>Global reach/access: Internet has global reach throughout the world. Internet is truly without boundaries. On the one hand, it allows the seller an access to the global market; on the other hand, it affords to the buyer a freedom to choose products from almost any part of the world.</p>	3
22	<p>(a)MSMED Act, 2020.</p> <p>(b)Small Scale Industry</p> <p>(c)Less than Rs. 10 crores.</p>	3
23	<p>Small scale fixed shop retailers: (any three)</p> <p>(a) General Stores: These stores deal in large variety of products required to satisfy day-to-day requirements of the customers. These are found in a local markets and residential areas. These stores remain open for long hours and provide convenience to the consumers to buy goods of daily use such as</p> <p>stationery items, grocery items, toiletries, biscuits, etc. They also provide credit facility to their regular customers.</p> <p>Speciality shops: These shops deal in specific line of products like shoes, toys, gifts, children's garments, electronic goods, etc. Such shops are becoming very common particularly in urban areas. In order to attract large number of customers, these shops are centrally located.</p> <p>Street stall holders: These are small retailers generally found at places having heavy flow of population such as street crossings, main roads, etc. They deal in low quality goods like toys, hosiery products, etc. Very limited area is covered by their shops so that they carry business operations on a very limited space.</p> <p>Second-hand goods shop: These retail shops deal in second-hand or used goods like automobiles, furniture, books, etc. They cater to the needs of people having limited means. The price of the goods sold by them is generally low. Sometimes, these shops deal in antiques items or goods having historical value. In such a case, they charge high price from customers having special interest in such goods.</p> <p>Single line stores: These stores deal in single product line such as watches, shoes, tyres, ready-made garments, books, etc. These stores are centrally located and keep wide variety of items of the same line.</p>	3

24	<p>Key Features of GST: (any three)</p> <p>The territorial spread of GST is the whole country.</p> <p>GST is applicable on the 'supply' of goods or services as against the present concept of tax on the manufacture or sale of goods or on the provision of services.</p> <p>It is based on the principle of destination-based consumption tax against the present principle of origin-based taxation.</p> <p>Import of goods and services is treated as inter-State supplies and would be subject to IGST in addition to the applicable customs duties.</p> <p>CGST, SGST and IGST are levied at rates mutually agreed upon by the Centre and the States under the aegis of the GST Council.</p> <p>There are four tax slabs namely 5 per cent, 12 per cent, 18 per cent and 28 per cent for all goods or services.</p> <p>Exports and supplies to SEZ are zero-rated.</p> <p>There are various modes of payment of tax available to the taxpayer, including Internet banking, debit/credit card and National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS)</p> <p style="text-align: center;">OR</p> <p>Services of retailers towards customer are: (any three)</p> <p>1. Regular availability of products: The most important service of a retailer to consumer is to maintain regular availability of various products produced by different manufacturers.</p> <p>New products information: By arranging for effective display of products and through their personal selling efforts, retailers provide important information about the arrival, special features, etc. of new products to the customers.</p> <p>Convenience in buying: Retailers generally buy goods in large quantities and sell these in small quantities, according to the requirements of their customers.</p> <p>Wide selection: Retailers generally keep stock of a variety of products of different manufacturers. This enables the consumers to make their choice out of a wide selection of goods.</p>	3
25	<p>Business Risk:</p> <p>The term 'business risk' refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events.</p> <p>Causes of business risks: (Any three)</p> <p>Natural causes: Human beings have little control over natural calamities, like flood, earthquake, lightning, heavy rains, famine, etc., property and income in business.</p> <p>Human causes: Human causes include such unexpected events, like dishonesty, carelessness or negligence of employees, stoppage of work due to power failure, strikes, riots, management inefficiency, etc.</p> <p>Economic causes: These include uncertainties relating to demand for goods, competition, price, collection of dues from customers, change of technology or method of production, etc. Financial problems, like rise in interest rate for borrowing, levy of higher taxes, etc., also come under these type of causes as they result in higher unexpected cost of operation or business.</p> <p>Other causes: These are unforeseen events, like political disturbances, mechanical failures, such as the bursting of boiler, fluctuations in exchange rates, etc., which lead to the possibility of business risks.</p> <p style="text-align: center;">OR</p> <p>Objectives of business are as follows:</p> <p>Earning Profits: Business has to earn a reasonable profit so as to sustain its growth and survive in the market.</p> <p>Market Standing: Business Should have a better position in the market in relation to its competitors.</p> <p>Innovation: Business should come up with new ideas, inventions and new methods for sustainable growth and survival.</p> <p>Productivity: Productivity is ascertained by comparing.</p>	

26	<p>a)Government Company 4 Coal India Limited, Indian Oil Corporation Limited, Bharat Heavy Electricals Limited (BHEL) (any correct one) Merits of Government Company (any one) A government company can be established by fulfilling the requirements of the Indian Companies Act. A separate Act in the Parliament is not required; It has a separate legal entity, apart from the Government; It enjoys autonomy in all management decisions and takes actions according to business prudence; These companies by providing goods and services at reasonable prices are able to control the market Limitations of Government Company (any one) Since the Government is the only shareholder in some of the companies, the provisions of the Companies Act do not have much relevance;</p>																
27	<table border="0"> <tr> <td></td><td>Life insurance</td><td>General insurance</td></tr> <tr> <td>Basis of difference</td><td>Life of a person is the subject matter</td><td>A property or a thing is the subject matter.</td></tr> <tr> <td>Duaration</td><td>The policy is for a period of more Duration than one year.</td><td>The policy is only for one year.</td></tr> <tr> <td>Indemnity</td><td>Not applied</td><td>Applied</td></tr> <tr> <td>Loss</td><td>Measurement of loss is not measurable.</td><td>The loss is measurable.</td></tr> </table> <p style="text-align: center;">OR</p> <p>Principles of insurance 1.Principle of utmost faith: refers that no material or important facts should be concealed by both the parties of insurance contract. 2.Principle of Subrogation: when the insured is compensated for the loss to the property insured by him the right of ownership of property passes to insurer. 3.Principle of proximate cause: It refers to the direct cause and not the remote cause. 4.Principle of mitigation of loss: states that it is the duty of the insured to take reasonable steps to minimize the loss/damage to the insured property.</p>		Life insurance	General insurance	Basis of difference	Life of a person is the subject matter	A property or a thing is the subject matter.	Duaration	The policy is for a period of more Duration than one year.	The policy is only for one year.	Indemnity	Not applied	Applied	Loss	Measurement of loss is not measurable.	The loss is measurable.	
	Life insurance	General insurance															
Basis of difference	Life of a person is the subject matter	A property or a thing is the subject matter.															
Duaration	The policy is for a period of more Duration than one year.	The policy is only for one year.															
Indemnity	Not applied	Applied															
Loss	Measurement of loss is not measurable.	The loss is measurable.															
28	<p>Social Responsibility: A business is a part of society and so it must meet the expectations of the society. It can set goals in the areas of environmental protection, supply of desired quality of products, employment generation etc. and curb unhealthy business practices.</p>																
29	Correct difference between owners fund and borrowed fund																
30	<p>Role of small business in India.</p> <p>Employment: Small scale Industries are second largest employers of human resources after Agriculture. It has 95% of the industrial unit in the country. These enterprises are labour intensive and labour is available in abundant amount is rural areas of India.</p> <p>Variety of product: Small scale Industries produce an enormous Variety of goods e.g. readymade garments, stationery, soaps, Leather's goods Plastic and rubber goods.</p> <p>Export: The share of product from SSI is 45% of total export from India. So, it earns valuable foreign exchange and solve the problem of balance of payment.</p> <p>Balance regional development: SSI can be set anywhere in the country. They use local resources, less capital and simple technology.</p>																

	<p>Complementary to large scale Industries: SSI. supply various types of components, spare parts, tools etc, which are required by large scale enterprises.</p> <p>Low cost of production: SSI also enjoy the advantage of low cost of production because they used local resources in their product.</p> <p>Quick and timely decision Due to the small size of the organization quick and timely decisions can be taken without consulting many people.</p> <p>Development of entrepreneurship: SSI provide opportunity of young men and women to start their own business.</p>	
31	<p>Merits of Cooperative Societies: (any three)</p> <p>Equality in voting status: The principle of 'one man one vote' governs the cooperative society. Irrespective of the amount of capital contribution by a member, each member is entitled to equal voting rights.</p> <p>Limited liability: The liability of members of a cooperative society is limited to the extent of their capital contribution. The personal assets of the members are, therefore, safe from being used to repay business debts.</p> <p>Stable existence: Death, bankruptcy or insanity of the members do not affect continuity of a cooperative society. A society, therefore, operates unaffected by any change in the membership.</p> <p>Economy in operations: The members generally offer honorary services to the society. As the focus is on elimination of middlemen, this helps in reducing costs. The customers or producers themselves are members of the society, and hence the risk of bad debts is lower.</p> <p>Support from government: The cooperative society exemplifies the idea of democracy and hence finds support from the Government in the form of low taxes, subsidies, and low interest rates on loans.</p> <p>Ease of formation: The cooperative society can be started with a minimum of ten members. The registration procedure is simple involving a few legal formalities. Its formation is governed by the provisions of Cooperative Societies Act 1912.</p> <p>Limitations of Cooperative Societies: (any three)</p> <p>Limited resources: Resources of a cooperative society consists of capital contributions of the members with limited means. The low rate of dividend offered on investment also acts as a deterrent in attracting membership or more capital from the members.</p> <p>Inefficiency in management: Cooperative societies are unable to attract and employ expert managers because of their inability to pay them high salaries. The members who offer honorary services on a voluntary basis are generally not professionally equipped to handle the management functions effectively.</p> <p>Lack of secrecy: As a result of open discussions in the meetings of members as well as disclosure obligations as per the Societies Act (7), it is difficult to maintain secrecy about the operations of a cooperative society.</p>	

32	<p>Equity Share Capital</p> <p>Merits (any three) Equity shares are suitable for investors who are willing to assume risk for higher returns; Payment of dividend to the equity shareholders is not compulsory. Therefore, there is no burden on the company in this respect;</p> <p>Equity capital serves as permanent capital as it is to be repaid only at the time of liquidation of a company. As it stands last in the list of claims, it provides a cushion for creditors, in the event of winding up of a company;</p> <p>Equity capital provides credit worthiness to the company and confidence to prospective loan providers;</p> <p>Funds can be raised through equity issue without creating any charge on the assets of the company. The assets of a company are, therefore, free to be mortgaged for the purpose of borrowings, if the need be;</p> <p>Democratic control over management of the company is assured due to voting rights of equity shareholders.</p> <p>Limitations (any two) The major limitations of raising funds through issue of equity shares are as follows: Investors who want steady income may not prefer equity shares as equity shares get fluctuating returns; The cost of equity shares is generally more as compared to the cost of raising funds through other sources; Issue of additional equity shares dilutes the voting power, and earnings of existing equity shareholders; More formalities and procedural delays are involved while raising funds through issue of equity share.</p>	
33	any five features of such retail stores.	
34	<p>(a) steps in import trade procedure</p> <ol style="list-style-type: none"> 1. Trade enquiry: 2. Procurement of import licence: 3. Obtaining foreign exchange: 4. Placing order or indent 5. Arranging for finance: 6. Obtaining letter of credit: 7. Receipt of shipment advice: 8. Retirement of import documents 9. Arrival of goods 10. Customs clearance and release of goods <p>(b) Two important documents used in import trade procedure (any two) Following important documents are used in import transactions:</p> <p>Trade enquiry Performa invoice Important order or indent Letter of credit Shipment advice Bill of lading</p>	

	Bill of entry OR Trade Enquiry and Sending Quotations Receipt of Order or Indent Assessing the Creditworthiness Obtaining Export Licence & Apply Pre-shipment Finance Procurement or Production of Goods Obtain Inspection Certificate and Excise Clearance	
--	---	--

Kendriya Vidyalaya Sangathan Sample paper set 3 (solved)

General Instructions:-

Answer to questions carrying 1 mark may be from one word to one sentence.

Answer to questions carrying 3 marks may be from 50-75 words.

Answer to questions carrying 4 marks may be from 150 words.

Answer to questions carrying 6 marks may be from 200 words

Marks are indicated against each question

All parts of a Question to be answered at one place

Q.NO	Question	Marks
2	Stages in the formation of a company are in the following order: a. Promotion, Incorporation, Capital subscription b. Incorporation, Capital subscription, Promotion c. Promotion, Incorporation, Capital subscription d. Capital Subscription, Promotion, Incorporation	1
3	Minimum number of members to form a Private Company is: a) 2 b) 3 c) 5 d) 7	1
4	One among the following is not a feature of a Cooperative society: a. Huge Financial Resources b. Limited Liability c. Compulsory Registration d. Voluntary Membership	1

5	Government Company is any company in which the Paid-up Capital held by the government is not less than: a) 49% b) 51% c) 50% d) 25%	1
6	Disinvestments of PSE's implies: a. Sale of equity shares to private sector b. Closing down c. Buying shares of PSE's d. Investing in new areas	1
7	Which of the following is not a function of Insurance? a. Risk sharing b. Assist in Capital Formation c. Lending of funds d. None of the above	1
8	Overdraft facility is available only on: a. Current Account Deposits b. b) Savings Account Deposits c. Recurring Deposits d. Fixed Deposits	1
9	Equity Shareholders are called: a. Owners of the Company b. Partners of the Company c. Executors of the Company d. Guardian of the Company	1

10	ADRs are issued in: a. Canada b. China c. India d.USA	1
11	_____ are also known as Rural industries or a. Traditional industries b. Food industry c. Cottage Industries d. None of these	1
12	_____ may be preferred for avoiding dilution of control- a. Equity Shares b. Debentures c. Both (1) and (2) d. None of these	1

13	Incentive which is not given by the Government to Industries in Backward, Tribal and Hilly Areas is a. Exemption from Sales tax b. Power at Concessional rates c. Preferential allotment of raw materials d. Free Advertising in T.V and Newspapers.	1
14	Investment Limit in equipment for Medium Service Enterprises is _____ a. Above Rs. 10 lakh and up to Rs. 2 crore b. Above Rs. 25 lakh and up to Rs. 5 crore c. Above Rs. 2 crore and up to 5 crore d. Above 5 crore and up to 10 crore	1
15	Each Retail Shop of a Chain Store is under the direct supervision of a. General Manager b. Sales Manager c. Branch Manager d. Managing Director	1
16	_____ is that branch of business which is devoted to the sale of goods and services to the ultimate consumers. a. Manufacturing b. Wholesaling c. Retailing d. None of these	1
17	Type of small retailer deals in variety of books only: a) Single Line Store b. Seconds Shop c. General Stores d. Cheap Jacks	1

18	Time utility is created by _____. a. Transportation b. Banking c. Warehousing d. Communication	1
19	Letter of Credit is issued by: a. Importer's Bank b. Exporter's Bank c. Custom Officer d. None of the above	1
20	The fee charged by insurer on account of providing services is called: a. Profit b. Installment c. Dividend d. Premium	1
21	Explain three advantages of Joint Hindu Family Business.	3
22	Discuss any three functions of a Promoter.	3

23	Distinguish between Statutory Corporation and Government Company on the basis of: Finance Formation Ownership	3
24	Explain any three limitations of Departmental Stores.	3
25	Explain any four features of Business Services.	4

26	Krishna is a manufacturer of readymade kid's garments. He sells his products through various dealers across the country. However his sales have been decreasing over the years. Recently his wife gifted him a jacket, which she had ordered through Myntra (An online shopping site) This gave Govind an idea to start selling his products online. a) Explain any two benefits that Krishna can get through e- business. b) Also mention two limitations which Krishna may face in e- business.	4
27	Explain why Retained Earnings are the best source of Finance.	4
28	State the role of Small Business in Rural India by giving any four points.	4
29	Aryan is a small trader who sells plastic items of daily use in the weekly market. He has fixed different days for different places, like on Monday, he sets up his shop with temporary structure in Som Bazaar, on Tuesday he sets his shop in mangal bazaar and so on. a. Aryan will be classified as which type of retailer and why? b. Identify the category of the type of the type of retail trade as identified in part (a) of the question under which Ariyan should be placed. c. State features of the type of retailers as identified in part (b) of the question.	4

30	Explain the benefits of International Trade to the nation and to the business .(Any four)	4
31	Briefly discuss the State the causes of risks involved in the business. OR What do you mean by Auxiliaries to Trade? Briefly explain any six Auxiliaries to Trade.	6
32	Explain the Social Responsibility of Business towards workers, customers and Government. OR Explain why business should assume Social Responsibility.	6
33	Raj wants to start a business unit manufacturing Khadi items. His friend who makes craft items, suggests starting a small scale industrial unit in some rural, backward area since the government is offering various incentives to small scale industries. a) State any four incentives offered by the government for small scale industries. b) Name two institutions set up by the Govt. of India to promote Small Scale industries in rural India. Explain their role.	6

34	Differentiate between Departmental Stores and Chain Stores on the basis of: a.Location b.Range of products c.Class of customers d.Pricing e.Risk f.Credit facilities OR Explain three services each of Wholesalers to Manufacturers and Retailers.	6
-----------	---	----------

ANSWERS

1	c) Housing Cooperative Society	1
2	a) Promotion, Incorporation, Capital subscription	1
3	a) 2	1
4	a) Huge Financial Resources	1
5	b) 51%	1
6	a) Sale of equity shares to private sector	1
7	d) None of the above	1
8) Current Account Deposits	1
9	a) Owners of the Company	1
10	d) USA	1
11	b) Cottage Industries	1
12	b) Debentures	1
13	d) Free Advertising in T.V and Newspapers.	1
14) c) Above Rs. 2 crore and up to 5 crore	1

15	c) Branch Manager	1
16	c) Retailing	1
17	a) Single Line Store	1
18	a) Transportation	1
19	a) Importer's Bank	1
20	d) Premium	1

21	Three advantages of Joint Hindu Family Business: Effective Control Continued Business existence Limited Liability of partner Increased loyalty and cooperation			3
22	Three functions of a Promoter: Identification of Business Opportunity Feasibility Study Name Approval			3
23	Distinguish between Statutory Corporation and Government Company on the basis of:			3
	BASIS	STATUTORY CORPORATION	GOVT. CO.	
	FINANCE	INDEPENDENTLY FINANCED	GOVT. AND OTHER PRIVATE SHAREHOLDING	
	FORMATION	PASSING SPECIAL ACT	COMPANIES ACT 2013	
	OWNERSHIP	STATE	GOVERNMENT WITH PRIVATE SHAREHOLDERS	
24	Three Limitations of Departmental Stores. Lack of personal attention High operating cost High possibilities of losses Inconvenient location			3
25	Four features of Business Services. Intangibility Inconsistency Inseparability Inventory less Involvement			4

26	<p>a) Two benefits that Krishna can get through e- business:</p> <p>Ease of formation and lower investment requirement</p> <p>Convenience Speed</p> <p>Global reach</p> <p>Movement towards paperless society</p> <p>b) Two limitations which Krishna may face in e-business:</p> <p>Low personal touch</p> <p>Incongruence between order giving /taking</p> <p>People resistance</p> <p>Ethical fallouts</p>	4
27	<p>Retained Earnings are the best source of Finance:</p> <p>Permanent source</p> <p>No explicit cost</p> <p>Greater degree of operational freedom</p> <p>Enhanced capacity to absorb losses</p> <p>Increase in market price of shares</p>	4
28	<p>Role of Small Business in Rural India</p> <p>Balanced regional development</p> <p>Second largest employer</p> <p>Supply enormous variety of products</p> <p>Ample opportunity of entrepreneurship</p> <p>Low cost of production</p> <p>Quick and timely decisions</p>	4
29	<p>a) Aryan is a Market Trader. Market traders are the small retailers who open their shops at different places on fixed days or dates.</p> <p>Itinerant Retailers</p> <p>Features of Itinerant Traders:</p> <p>Operate with limited resources</p> <p>Normally deal in consumer products of daily use</p>	4
30	<p><u>Benefits of International Trade to the Nation:</u></p> <p>Earning of Foreign exchange</p> <p>More efficient use of resources</p> <p>Improving growth prospects and employment opportunities</p> <p>Increased standard of living</p> <p><u>Benefits of International Trade to the business:</u></p> <p>Prospects for higher profits</p> <p>Increased capacity utilization</p> <p>Prospects for growth</p> <p>Wayout to intense competition in domestic market Improved business vision</p>	4
31	<p>Causes of risks involved in the business:</p> <p>Natural Causes</p> <p>Human Causes</p>	6

32	<p>Social Responsibility of Business towards workers</p> <ul style="list-style-type: none"> -providing opportunities for meaningful work -create right kind of working conditions <p>Social Responsibility of Business towards customers</p> <ul style="list-style-type: none"> -supply of right quality and quantity of goods and services at reasonable price -take proper precaution against adulteration, poor quality, lack of desired service and courtesy <p>Social Responsibility of Business towards Government:</p> <ul style="list-style-type: none"> -respect the laws of the country -pay taxes regularly and honestly <p>OR</p> <p>Business should assume Social Responsibility for the following reasons:</p> <ol style="list-style-type: none"> 1.long term interest of business <p>Avoidance of government regulation</p> <p>Maintenance of society</p> <p>Availability of resources</p> <p>Converting problems into opportunities</p> <p>Better environment for doing business</p> <p>Holding business responsible for social problems.</p>	6
33	<p>Four incentives offered by the government for small scale industries.</p> <p>Finance at concessional Rate of Interest</p> <p>Tax Holidays</p> <p>Subsidised Power</p> <p>Subsidised water</p> <p>b) Two institutions set up the Govt. of India to promote Small Scale industries in rural India are:</p> <p>NABARD</p> <p>RSBDC</p>	6
34	<p>Differentiate between Departmental Stores and Chain Stores on the basis of:</p> <p>Location</p> <p>Range of products</p> <p>Class of customers</p> <p>Pricing</p> <p>Risk</p> <p>Credit facilities</p> <p>OR</p> <p>Three services each of wholesalers to Manufacturers</p> <ol style="list-style-type: none"> 1.facilitating large scale production 2. bearing risk 3. providing financial assistance 4.expert advice <p>Three services each of Wholesalers to and Retailers.</p> <ol style="list-style-type: none"> 1.availability of goods 2.marketing support 3.grant of credit 4.specialised knowledge 	

Important guidelines for students

1. Always be regular and punctual in the class.
2. Students should know the format of the question paper and the chapter wise weightage.
3. Students must devote a couple of hours daily to read and revise what has been taught in the class. This will put the topic in the subconscious mind.
4. When Students are Preparing for the examination, prepare very brief notes. Brief down the main points for each topic, emphasizing conceptual clarity and learning the basic concepts or keywords. **Solve as many sample papers** to build self- confidence.
5. The **day just before** the examination, read these brief notes. Avoid reading the book at this period as it may cause mental tension or examination fever.
6. At the time of leaving the examination hall, forget about the paper you have done. **Think about the next paper only.**
7. Before submitting your answer book, **check your roll number** and other necessary details, have a quick glance through your answers.
8. Where the number of points to be written is specified in the question, **don't write more points** because extra points will not be considered— for example explain briefly any four services provided by retailer to consumers if you write 5 or 6 points and the third point is wrong, you will lose one mark all though fifth and sixth points are correct.
9. Write **Question numbers correctly.**
10. Always **Support your answer with suitable examples** wherever possible.
11. Questions which require your opinion, **present views from both sides** and then give your own judgement.
12. Always write an **appropriate opening** and closing line for each question.
13. Question where process or steps are asked, must follow the **proper sequence.**
14. It must be noted that if you want to score more than 95%, then the presentation of answer is important as their content. Therefore, underline the headings and the key points always leave space between two points and two answers you must write the main heading in capital letters like 'TYPES OF PARTNER' you may also use diagrams and cartoons while answering questions to make your answer attractive.
15. You should not be in a hurry to answer the question you should read them carefully before answering them students often write the wrong answer to a question because, in their haste they misread it for example the question is about the distinction between Private sector enterprises and public sector enterprises they may write difference between private company and public company.
16. You may first attempt those questions which you know very well, however you should follow the serial order example first QTQ's / MCQ's then very short answer questions and lastly long answer questions. Divide your time well between QTQ's / MCQ's short answer and long answers, so that you don't run out of time while attempting the last question.
17. Read the question paper and all the instructions carefully check out the marks assigned to each question and the word limit ,if any.
18. Adopt A positive attitude and have confidence in yourself. Your attitude on the examination day is important as knowledge of the subject.
19. Always mention the basis of distinction in answer to questions related to comparison. such questions should be answered in tabular form.