

Business Studies

Time allowed: 3 hours**Maximum Marks: 80****General Instructions:**

- (i) Answer to questions carrying 1 mark may be from one word to one sentence.
- (ii) Answer to questions carrying 3 marks may be from 50 to 75 words.
- (iii) Answer to questions carrying 4-5 marks may be about 150 words.
- (iv) Answer to questions carrying 6 marks may be about 200 words.
- (v) Attempt all parts of a question together.
- (vi) Question Nos. 1 to 8 are very short-answer questions carrying 1 mark each.
- (vii) Question Nos. 9 to 14 carry 3 marks each.
- (viii) Question Nos. 15 to 18 carry 4 marks each.
- (ix) Question Nos. 19 to 22 carry 5 marks each.
- (x) Question Nos. 23 to 25 carry 6 marks each.

Answers

1	Economic activity: It refers to all the activities which are carried out for the purpose of earning money or money's worth. Example: A teacher teaching students in the class for fees. A doctor treating patients in the clinic for fees.	1
2	Following are the different organisation that come under public sector: (a) Departmental undertaking (b) Statutory corporation (c) Government company	1
3	Meaning of statutory corporations: A statutory corporation is a corporate person which came into existence by a special act of the parliament. It has the power of the government.	1
4	E-banking is the method in which the customer conducts transactions electronically via the internet. Some of the examples of e-banking are managing deposits accounts, online funds transfer, ATM, electronic data interchange etc.	1
5	Social responsibility: It is an ethical framework which puts obligation on business entities or individuals to take actions which are beneficial to the society.	1
6	A business which functions on a small-scale level involves less capital investment, less the number of labor and fewer machines to operate is known as small business.	1

7	The disadvantages of mail order houses are: (i) No personal contact (ii) High promotion cost (iii) Poor after sale service (iv) No credit facility	1
8	AVM: Automatic vending machine (AVM) is a machine operated by coins or tokens. The buyer inserts the coin or a token into the machine and receives a specified quantity of a product from the machine.	1
9	<ol style="list-style-type: none"> 1) Human causes: Human causes include such unexpected events like dishonesty, carelessness or negligence of employees, stoppage of work, etc. 2) Economic causes: Uncertainties relating to demand for goods, competition, price, collection of dues from customers, change of technology or method of production, etc. 3) Natural causes: Natural calamities like flood, earthquake, lightning, heavy rains, famine, etc. are those uncertain events over which human beings have no control. These natural calamities result in heavy loss of life, property and income to business. 	3
10	<ol style="list-style-type: none"> a) Dormant partner: Partners who do not take part in the day-to-day activities of the business are called dormant partners. A dormant partner; <ol style="list-style-type: none"> (i) Contributes capital to the firm, (ii) Shares its profits and losses; and they have unlimited liability b) Partner by estoppel: A person is considered a partner by estoppel if, he/she through his/her own initiative, conduct or behavior, gives an impression to others that he/she is a partner of the firm. c) Partner by holding out: A partner who is not exactly a partner in a firm but represents himself as a partner. 	3
11	<p>The Government of India has to take emphasis on various backward, tribal and hilly areas.</p> <ul style="list-style-type: none"> • Development of backward areas is a long-term process and for this several committees were appointed. • These committees help in identifying the backward areas and also suggest the particular schemes for the balanced regional development. • Such schemes are: <ol style="list-style-type: none"> (1) Integrated Rural Development Programme - to develop backward areas. (2) The rural industries project - to develop small business units in select rural areas. (3) Backward area development programs -varied from state to state, they cumulatively represent a significant package of incentives to attract industries in backward areas. 	3
12	<p>RSBDC was set up for the socially and economically underprivileged individuals and groups.</p> <ul style="list-style-type: none"> • It aims at providing management and technical support to small entrepreneurs in rural areas. • Various programs are organized by RSBDC for the development of rural entrepreneurship. 	3

	<ul style="list-style-type: none"> • Example: Skill up gradation workshops, mobile clinics and trainers training programs, awareness and counseling camps. • These programs cover a large number of rural unemployed youth and women in several trades. • Example: Food processing, soft toys making, ready-made garments, candle making, incense stick making, two-wheeler repairing and servicing and non-conventional building materials. 					
13	<p>The Government of India created the ministry of Small-Scale Industries (SSI's), Agro and Rural Industries (ARI's) as the nodal ministry.</p> <ul style="list-style-type: none"> • The Ministry of Small-Scale Industries is established for formulation of policy and coordination of central assistance. • It designs policies, programs and schemes for the promotion and development of small-scale industries in India. • The Ministry was divided into two separate ministries in September, 2001. <ul style="list-style-type: none"> (i) Ministry of Small-Scale Industries (ii) Ministry of Agro and Rural Industries • It also implements Prime Minister's Rojgar Yojana. • Various policies, programs and schemes are implemented by the ministry through the Khadi and Village industries commission (KVIC), Handicrafts Board, Coir Board, Silk Board etc. 	3				
14	<table border="1"> <tr> <td>World trade organisation (WTO)</td> <td> <ul style="list-style-type: none"> • The World Trade Organisation (WTO) is an international organisation. • It came into existence on 1st Jan 1995 to substitute the GATT (General Agreement on Tariffs and Trade) • It formulates rules and regulations for international trade among member countries to ensure smooth and free flow of world trade. </td> </tr> <tr> <td>Objectives</td> <td> <ul style="list-style-type: none"> • To formulate and enforce rules for international trade. • To implement the new world trade agreements • To promote free trade by abolishing tariff and non-tariff barriers • To promote world trade in a manner that benefits every member country • To resolve trade disputes. • To expand and utilise world resources in an optimum manner </td> </tr> </table>	World trade organisation (WTO)	<ul style="list-style-type: none"> • The World Trade Organisation (WTO) is an international organisation. • It came into existence on 1st Jan 1995 to substitute the GATT (General Agreement on Tariffs and Trade) • It formulates rules and regulations for international trade among member countries to ensure smooth and free flow of world trade. 	Objectives	<ul style="list-style-type: none"> • To formulate and enforce rules for international trade. • To implement the new world trade agreements • To promote free trade by abolishing tariff and non-tariff barriers • To promote world trade in a manner that benefits every member country • To resolve trade disputes. • To expand and utilise world resources in an optimum manner 	3
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15	<p>(i) Speciality stores:</p> <ul style="list-style-type: none"> (a) These stores are generally found in urban areas where more customers can be attracted. (b) They give variety in choices in selecting the goods. (c) They deal in specialized lines of products like garments, food products, dairy products, stationery etc. 	4				

	<p>(ii) Single line stores</p> <p>(a) These shops keep a wide variety of items in their stores in a single line of product.</p> <p>(b) These are maintained generally by sole proprietors and partnership.</p> <p>(c) They deal in product lines like watches, textiles, footwear, tyre, computers etc.</p>																									
16	<table><tr><th>Basis</th><th>Business</th><th>Profession</th><th>Employment</th></tr><tr><td>(i) Formation</td><td>Easy to Form and can be started with Minimal Legal Formalities except in a few cases.</td><td>Need to obtain specific qualification from a recognized body (e.g. CA by ICAI , MBBS by MCI)</td><td>After signing the Service contract and getting an appointment letter.</td></tr><tr><td>(ii) Nature of work</td><td>Production of goods, Buying and selling of goods, rendering services to the consumer for monetary benefits.</td><td>Rendering of expertise services.</td><td>Performing work according to the nature of the job.</td></tr><tr><td>(iii) Qualification</td><td>No minimum qualification is necessary.</td><td>Expertise and training in a specific field is must.</td><td>Qualification and training as prescribed by the employer.</td></tr><tr><td>(iv) Reward or Return</td><td>Profit earned.</td><td>Professional fee.</td><td>Salary or wages.</td></tr><tr><td>(v) Capital investment</td><td>Capital is needed according to the size and nature of business.</td><td>Limited capital is needed.</td><td>No capital required.</td></tr></table>	Basis	Business	Profession	Employment	(i) Formation	Easy to Form and can be started with Minimal Legal Formalities except in a few cases.	Need to obtain specific qualification from a recognized body (e.g. CA by ICAI , MBBS by MCI)	After signing the Service contract and getting an appointment letter.	(ii) Nature of work	Production of goods, Buying and selling of goods, rendering services to the consumer for monetary benefits.	Rendering of expertise services.	Performing work according to the nature of the job.	(iii) Qualification	No minimum qualification is necessary.	Expertise and training in a specific field is must.	Qualification and training as prescribed by the employer.	(iv) Reward or Return	Profit earned.	Professional fee.	Salary or wages.	(v) Capital investment	Capital is needed according to the size and nature of business.	Limited capital is needed.	No capital required.	4
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17	<p>Following are the opinions against social responsibilities:</p> <p>(a) Violation of profit maximisation objective: The sole motive of business is profit maximization. Supporting the social responsibilities is violating the profit-making objective of the business. It would be better if entities increase the profits through increased efficiency.</p> <p>(b) Burden on consumers: Social responsibilities like environment protection, pollution control are very costly in nature. If entities opt for these social responsibilities, they always try to shift their burden on ultimate consumers. It is not reasonable to charge the customers on the name of social responsibilities.</p>	4																								

	<p>(c) Lack of social skills: Every entity does not have enough skills and knowledge to solve each and every social problem. This can be the reason for poor image in the society. So, these problems should be solved by some specialized parties.</p> <p>(d) Lack of broad public support: Generally, society does not accept the involvement of business entities in the social programs. That is why it gets difficult for the business to solve the problems without participation of the public.</p>									
18	<p>(a) Following are the merits of public deposit:</p> <p>(i) Control: Control of the company is not diluted as the voting rights are not given to the depositors.</p> <p>(ii) Security: Assets can be used as security for loans since the charge is created on as assets due to public deposits.</p> <p>(iii) Restrictions: There are not strict restrictions as in case of loans from banks.</p> <p>(iv) Cost: Cost of deposits incurred by the company is lesser than the cost of borrowing.</p> <p>(b) Following are the demerits of public deposit:</p> <p>(i) Size of deposit: If the size of deposit is larger than the collection of public deposits may become difficult and It may be difficult for a new company to respond to public deposit.</p> <p>(ii) Unreliable source: Public deposits may turn out to be unreliable sources of finance as the public may not respond positively to a company's need of funds.</p>	4								
19	<p>Followings are the benefits of the joint venture.</p> <table><tr><td>(i) Increased resources and capacity</td><td><ul style="list-style-type: none">Union with other companies or individuals helps the joint ventures to work efficiently and effectively. It is very beneficial for both the parties involved. It helps in taking market opportunities and threats easily.</td></tr><tr><td>(ii) Access to new markets and distribution networks</td><td><ul style="list-style-type: none">When there is a joint venture between the partners of different countries, it helps in global expansion of business. They can take advantage of already established distribution channels in different countries.</td></tr><tr><td>(iii) Access to technology</td><td><ul style="list-style-type: none">Most of the joint ventures took place only for the technological factors. Advanced techniques of production leading to superior quality products save a lot of time, energy and investment.</td></tr><tr><td>(iv) Low cost of production</td><td><ul style="list-style-type: none">Joint ventures are able to have low cost of productions. India is competitive in products due to cheap labor, low-cost productions, excellent manpower in different cadres like lawyers, engineers, scientists.</td></tr></table>	(i) Increased resources and capacity	<ul style="list-style-type: none">Union with other companies or individuals helps the joint ventures to work efficiently and effectively. It is very beneficial for both the parties involved. It helps in taking market opportunities and threats easily.	(ii) Access to new markets and distribution networks	<ul style="list-style-type: none">When there is a joint venture between the partners of different countries, it helps in global expansion of business. They can take advantage of already established distribution channels in different countries.	(iii) Access to technology	<ul style="list-style-type: none">Most of the joint ventures took place only for the technological factors. Advanced techniques of production leading to superior quality products save a lot of time, energy and investment.	(iv) Low cost of production	<ul style="list-style-type: none">Joint ventures are able to have low cost of productions. India is competitive in products due to cheap labor, low-cost productions, excellent manpower in different cadres like lawyers, engineers, scientists.	5
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21	<p>Meaning of E-business: Conduct of the industry, occupation and business with the help of computers over the internet. It is considered electronic dealing with the stakeholders of the business.</p> <p>Following are the models of e-business:</p> <ul style="list-style-type: none">(a) Business to business commerce (B2B): It is that business activity where transactions are made between the two or more businesses (wholesalers-retailers, manufacturers-wholesalers) electronically. Example: Making payments to suppliers online like PAYTM.(b) Business to consumer commerce (B2C): Business to customer, in this activity transactions are made between the business and their customers. It is the exchange of goods & services between business and the consumers.	5										

	<p>Example: Buying products from online virtual market like Amazon, Flipkart etc.</p> <p>(c) Business to employee commerce (B2E): In this activity, transactions are made between firm and its employees. This is also known as intra-e commerce. Examples, Releasing of salaries online in the respective salary accounts</p> <p>(d) Consumer to consumer commerce (C2C): In C2C, transactions are made between the two or more consumers. It is also the exchange of information and goods between one consumer and another. This type of commerce is best suited for dealing in goods for which there is no established market. Example: Selling products online to third parties over the internet like OLX, QUIKR etc.</p>											
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23	<p>Business services: Business services refer to those services which are used by business enterprises to conduct their activities smoothly e.g. banking, insurance, communication, Warehousing, and transportation.</p> <p>Following are the characteristics of business services:</p> <ul style="list-style-type: none"> (a) Intangibility: These are intangible assets; they cannot be touched and they don't have their physical presence. It is important to provide quality service to the customer, so that customers can feel favorable experiences. For example, Teaching by teachers (b) Inconsistency: There is no consistency in the services as in physical products. Demands and expectations of the different customers are different so every time the service provider has to modify the service accordingly. (c) Inseparability: Production and consumption are performed simultaneously. For example, an ATM may replace a clerk but the presence of a customer is must. (d) Inventory: Services cannot be stored for the future because it has no physical component. Service has to be provided to the customer as and when it is asked by them. For example, <i>Airways tickets can be stored, journeys can be experienced.</i> (e) Involvement: Services are provided according to the requirement of customers but the involvement of customers in the service providing process is must. For example, e.g. A customer can get the service modified according to specific requirements. 	6
24	<ul style="list-style-type: none"> (a) American deposit receipts (ADR): <ul style="list-style-type: none"> (i) Deposit Receipts are issued by a company in the U.S.A. known as ADR. (ii) ADR's are bought and sold in American markets like regular stocks and it is similar to GDR except that it can only be issued to American citizens. (iii) ADR can only be listed and traded on the stock exchange of the U.S.A. (b) Global depository receipts (GDR): <ul style="list-style-type: none"> (i) When local currency shares of a company are delivered to a depository Bank and depository Banks issue depository receipts against these shares, such depository receipts are denominated in US dollars and they are known as GDR. (ii) GDR is a negotiable instrument and it can be traded freely like any other security. (c) Indian depository receipts (IDR) <ul style="list-style-type: none"> (i) IDR is a financial instrument which is denominated in Indian Rupees. (ii) The creator of IDR is a Domestic depository. This Domestic depository is the keeper of securities registered with SEBI. (iii) These securities are kept against the underlying equity of the issuing company which enables foreign companies to raise funds from the Indian securities markets. 	6

25	<table> <tr> <th data-bbox="185 310 418 373">Basis</th><th data-bbox="418 310 824 373">Domestic trade</th><th data-bbox="824 310 1263 373">International trade</th></tr> <tr> <td data-bbox="185 373 418 489">(1) Nationality of buyers and sellers</td><td data-bbox="418 373 824 489">Under this people of one nation work in their respective domestic market.</td><td data-bbox="824 373 1263 489">Under this people from different nations work in the international market.</td></tr> <tr> <td data-bbox="185 489 418 636">(2) Nationality of other stakeholders</td><td data-bbox="418 489 824 636">Stakeholders like suppliers, producers, employees, middlemen etc. are of the same nation.</td><td data-bbox="824 489 1263 636">Stakeholders like suppliers, producers, employees, middleman etc. are of different nation</td></tr> <tr> <td data-bbox="185 636 418 762">(3) Mobility of factors of production</td><td data-bbox="418 636 824 762">Factors of production like capital and labor are mobile across one nation.</td><td data-bbox="824 636 1263 762">Factors of production like capital and labor are mobile across different nations.</td></tr> <tr> <td data-bbox="185 762 418 909">(4) Heterogeneous customers</td><td data-bbox="418 762 824 909">Usually, customers are homogeneous in the domestic market</td><td data-bbox="824 762 1263 909">Customers are not homogeneous in the international market due to different religion, caste, languages etc.</td></tr> <tr> <td data-bbox="185 909 418 1056">(5) Risks</td><td data-bbox="418 909 824 1056">Under this one nation is subject to political risk of its respective nation.</td><td data-bbox="824 909 1263 1056">This may be the barrier to international trade as different nations have different political risks.</td></tr> <tr> <td data-bbox="185 1056 418 1171">(6) Policies</td><td data-bbox="418 1056 824 1171">These are subject to different policies and regulations, laws of a single nation.</td><td data-bbox="824 1056 1263 1171">These are subject to different policies and regulations, laws of multiple nations.</td></tr> <tr> <td data-bbox="185 1171 418 1266">(7) Currency</td><td data-bbox="418 1171 824 1266">Only one currency is involved.</td><td data-bbox="824 1171 1263 1266">There is involvement of more than one currency.</td></tr> </table>	Basis	Domestic trade	International trade	(1) Nationality of buyers and sellers	Under this people of one nation work in their respective domestic market.	Under this people from different nations work in the international market.	(2) Nationality of other stakeholders	Stakeholders like suppliers, producers, employees, middlemen etc. are of the same nation.	Stakeholders like suppliers, producers, employees, middleman etc. are of different nation	(3) Mobility of factors of production	Factors of production like capital and labor are mobile across one nation.	Factors of production like capital and labor are mobile across different nations.	(4) Heterogeneous customers	Usually, customers are homogeneous in the domestic market	Customers are not homogeneous in the international market due to different religion, caste, languages etc.	(5) Risks	Under this one nation is subject to political risk of its respective nation.	This may be the barrier to international trade as different nations have different political risks.	(6) Policies	These are subject to different policies and regulations, laws of a single nation.	These are subject to different policies and regulations, laws of multiple nations.	(7) Currency	Only one currency is involved.	There is involvement of more than one currency.	6
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