

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.

Solutions

1	It refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events which a business cannot control.	1
2	Social responsibility refers to the obligation of business firms to contribute resources for solving social problems and work in a socially desirable manner.	1
3	Insurance premium is the amount which is paid by the insured to the insurer to claim the compensation on the happening of loss.	1
4	Transportation: Transportation is a method through which goods can be available from their place of origin to the ultimate consumers. It includes both the auxiliary services and freight services by all modes like railways, airways, roadways.	1
5	Meaning of Outsourcing: Outsourcing is the activity in which companies transfer its work processes to other vendors on contract rather than completing it internally. It is a very cost-efficient strategy when used properly.	1
6	It refers to those funds which are used to run day to day operations and for holding current assets like stock of material, bills receivables, current expenses like wages, taxes, salaries, rent etc. are known as working capital requirements.	1
7	Large fixed shop retail refers to those stores which provide a wide variety of different products available at one place. Such Stores operate at Large Scale and believe in satisfying the customer's needs under one roof. Example- Big Bazaar, Dominos, Reliance Fresh etc.	1

8	Contract manufacturing refers to those domestic manufacturers which enter into the contract with foreign manufacturers, for supply of certain goods for production. Contract manufacturing also known as outsourcing.		1					
9	<div>1. Artificial person: A company is a creation of law and exists independent of its members. Like natural persons, a company can own property, incur debts, borrow money, enter into contracts, sue and be sued. It is, therefore, called an artificial person.</div> <div>2. Separate legal entity: From the day of its incorporation, a company acquires an identity, distinct from its members. Its assets and liabilities are separate from those of its owners.</div> <div>3. Perpetual succession: A company being a creation of the law can be brought to an end only by law. Members may come and members may go, but the company continues to exist but It will only cease to exist when a specific procedure for its closure, called winding up, is completed.</div>		3					
10	<div>(a) Private sector enterprises: It refers to the business enterprises which are owned, managed and controlled by an individual or a group of individuals. It is that type of business units which are carried on with the motive of earning profits. Example: ICICI Bank Limited, ITC Limited, HDFC Bank Limited, Wipro etc.</div> <div>(b) Public sector enterprises: The public sector consists of various organizations owned and managed by either partly or wholly owned by the central or state government. The government can participate in the economic activities through these enterprises of the country. Example: Departmental undertaking, statutory corporation and government company</div>		3					
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16	<p>Following are the ethical concerns involved in outsourcing:</p> <p>(a) Confidentiality: Outsourcing of processes includes sharing of information with vendors and information is the very useful asset of the company. It is mandated the vendor to maintain confidentiality for each client.</p> <p>(b) Sweat shopping: The main motive for outsourcing is to get larger benefits in low cost. It is quite obvious that what is outsourced is not much for creating competency for the competitor, in case if the information is leaked.</p> <p>(c) Ethical concern: Firms outsource their processes in order to avoid search of cheap labor, manufacturing processes to the developing countries. They use women/child labor and unhygienic working conditions at lower wage</p>	4								

	<p>cost. This raises the ethical concern whether this sort of cost cutting by using child labor and wage discrimination is justified.</p> <p>(d) Resentment in the home countries: Home countries outsource their manufacturing, research, IT activities to the host countries. Due to which they are ultimately creating resentment in the home country for unemployment.</p>	
17	<p>Retained earnings: A company doesn't distribute its whole earnings as dividend and the portion which is retained by business after payment of Tax and dividend is known as Retained earnings.</p> <p>Following are the merits of retained earnings:</p> <ul style="list-style-type: none"> (a) Permanent source: Retained Earnings is a permanent source of funds available to an organisation. (b) Freedom and flexibility: There is a greater degree of operational freedom and flexibility as retained earnings are generated internally. (c) No cost: Explicit costs are not generated like interest, dividend or floatation costs. (d) Capacity to absorb unexpected losses: Capacity of the business to absorb unexpected losses increases by ploughing back of profits through retained earnings. 	4
18	<p>National bank for agriculture and rural development (NABARD): NABARD was set up in 1982 to promote integrated rural development like support to small industries, cottage and village industries. It has been adopting a strategy for the promotion of rural business. It provides training and development programs for rural entrepreneurs. It also offers counseling and consultancy services in rural areas.</p> <p>(ii) Small industries development bank of India (SIDBI): It was set up as an apex bank which:</p> <ul style="list-style-type: none"> • Provides direct/indirect financial assistance under different schemes • Helps in meeting credit needs of small business organizations. • Coordinates the functions of other institutions in similar activities. <p>Thus, there are various institutions operating at the central level and state level to support small industries.</p>	4

19	<p>Following are the features of co-operative societies.</p> <table><tr><td>(i) Voluntary membership</td><td><ul style="list-style-type: none">The membership of a cooperative society is voluntary. Every person has full freedom to join and leave cooperative society as per his/her desire. It is not compulsory to join membership and it doesn't discriminate on the basis of caste, religion or gender.</td></tr><tr><td>(ii) Legal status</td><td><ul style="list-style-type: none">Registration of a cooperative society is compulsory. The society can enter into contracts and hold property in its name, sue and can be sued by others.</td></tr><tr><td>(iii) Limited liability</td><td><ul style="list-style-type: none">The liability of the members of a cooperative society is limited up to the extent of capital contributed by the members. A member's contribution explains the amount of maximum risk he has to bear.</td></tr><tr><td>(iv) Control</td><td><ul style="list-style-type: none">All the members are given an equal chance to choose a member who will establish the managing committee. Hence, this feature makes the co-operative self-governing.</td></tr><tr><td>(v) Service motive</td><td><ul style="list-style-type: none">The main motive of cooperative societies is to provide mutual help and welfare. If any extra revenue is generated from its operations then it is distributed among the members</td></tr></table>	(i) Voluntary membership	<ul style="list-style-type: none">The membership of a cooperative society is voluntary. Every person has full freedom to join and leave cooperative society as per his/her desire. It is not compulsory to join membership and it doesn't discriminate on the basis of caste, religion or gender.	(ii) Legal status	<ul style="list-style-type: none">Registration of a cooperative society is compulsory. The society can enter into contracts and hold property in its name, sue and can be sued by others.	(iii) Limited liability	<ul style="list-style-type: none">The liability of the members of a cooperative society is limited up to the extent of capital contributed by the members. A member's contribution explains the amount of maximum risk he has to bear.	(iv) Control	<ul style="list-style-type: none">All the members are given an equal chance to choose a member who will establish the managing committee. Hence, this feature makes the co-operative self-governing.	(v) Service motive	<ul style="list-style-type: none">The main motive of cooperative societies is to provide mutual help and welfare. If any extra revenue is generated from its operations then it is distributed among the members	5
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20	<p>Meaning of bank: Bank is an organisation which collects deposits from the Public, lends money and supplies credit and performs other agency functions.</p> <p>Following are the primary functions of bank:</p> <ul style="list-style-type: none">(a) Acceptance of deposits: Acceptance of deposits is the main function of banks. Banks provide the loans only on the basis of the amount deposited by the public.(b) Lending of funds: This is the important function of banks to provide loans to the public. Advances can be made in the form of overdrafts, cash credits, term loans etc.(c) Cheque facilities: Banks provide the cheques facilities to the owners of saving, current a/c to withdraw their money.(d) Remittance of funds: Banks also provide the function of money transfer. It provides the transfer of money through drafts, pay orders, Net banking, NEFT/RTGS etc. on nominal commission charges.	5										

21	<p>Following are the different types of social responsibilities:</p> <ul style="list-style-type: none"> (a) Economic responsibility: Every business is engaged in economic activities to earn profits. So, the prime social responsibility of every business to produce goods and services which can satisfy the needs of society to earn profit. (b) Legal responsibility: The responsibility of every business is to carry out business activities within the laws of the country. The business should comply with the political and the legal environment of the country. (c) Ethical responsibility: This type of responsibility expects a certain type of behavior of the firm expected by the society but not defined by law. (d) Discretionary responsibility: These are voluntary actions taken by the entities in case of natural calamities, helping poor people etc. They help them by providing charitable contributions, education activities etc. 	5
22	<p>Meaning of share capital: Capital obtained by issuing shares is known as share capital and each share has its value which is known as nominal value.</p> <p>Following are the two types of shares:</p> <ul style="list-style-type: none"> (a) Equity shares: <ul style="list-style-type: none"> (i) The capital which is raised by issuing equity shares is known as equity share capital. (ii) Equity share is the most important source of raising long-term capital by company. It is also known as owner's funds or ownership capital. (iii) Equity shareholders do not get a fixed dividend as they are paid on the basis of earnings made by a company. (b) Preference shares: Capital raised by issuing of preference shares is called preference share capital. <p>They have a preferential claim as:</p> <ul style="list-style-type: none"> (i) They receive a fixed rate of dividend. This dividend is given out of the net profit earned by the company. This dividend is declared prior to any other dividend. So, they get priority over equity shareholders as far as dividend is concerned. (ii) They receive their capital after the claims of the creditors of the company have been settled when liquidation happens. Preference shares are of the nature of debentures. They bear a fixed rate of return. 	5

23

(i) Market Standing	<ul style="list-style-type: none">• It refers to the competitive position of an enterprise relative to its competitors.• A business enterprise must aim at standing on stronger footing in terms of offering competitive products in the market.• Example: current competitive market position of Reliance Jio. Reliance Jio is at the top as compared to Airtel, Vodafone, Idea etc.
(ii) Innovation	<ul style="list-style-type: none">• It is the introduction of new ideas or methods in the way something is done or made.• There are two kinds of innovation in every business i.e. innovation in product or service, innovation in the various skills and activities needed to supply them.• Example: Apple is the biggest example of innovation, as it introduces its product with new innovation at regular intervals.
(iii) Productivity	<ul style="list-style-type: none">• It is calculated by comparing the value of outputs with the value of inputs.• It is used as a measure of efficiency.• Example: Coca-Cola, Pepsi are great examples in terms of production, their product is available in each and every corner of the rural and urban areas.
(iv) Earning profits	<ul style="list-style-type: none">• One of the main objectives of a business is to earn profits on the capital employed.• Profitability refers to profit in relation to capital investment.• Example: In today's global world reliance group is the highest profit earning group.
(v) Physical and Financial resources	<ul style="list-style-type: none">• Every business requires physical resources like plants, machines, offices, etc.,• Financial resources, i.e., funds to be able to produce and supply goods are also required.• Example: financial resources from banks like HDFC, ICICI, PNB etc.
(vi) Manager performance and development	<ul style="list-style-type: none">• Business enterprises need managers to conduct and coordinate business activity.• To motivate managers, various programs need to be implemented.• Example: companies like airtel, Vodafone provides motivation to their employees which helps them in increasing their productivity.

6

24	Small business units can be divided in the following categories:	6										
	<table><tr><td>(1) Small scale industry (before 2006)</td><td><ul style="list-style-type: none">It is defined as one in which the investment in fixed assets of plant and machinery does not exceed rupees one crore.However, for export promotion and modernization, the investment ceiling in plant and machinery is rupees five crores.</td></tr><tr><td>(2) Ancillary small industrial unit</td><td><ul style="list-style-type: none">The small-scale industry can enjoy the status of an ancillary small industry if it supplies not less than 50 per cent of its production to another industry i.e. the parent unit.The ancillary small industry can manufacture parts, components, tools or intermediate products for the parent unit.</td></tr><tr><td>(3) Export oriented units</td><td><ul style="list-style-type: none">The small-scale industry can enjoy the status of an export-oriented unit if it exports more than 50 per cent of its production.It can avail the incentives like export subsidies and other concessions offered by the government for exporting units.</td></tr><tr><td>(4) Small scale industries owned by women</td><td><ul style="list-style-type: none">An enterprise promoted by women entrepreneurs is a small-scale industrial unit in which she/they individually or jointly have a share capital of not less than 51 per cent.Such units can avail the special concessions offered by the government, like low interest rates on loans, etc.</td></tr><tr><td>(5) Tiny industrial units</td><td><ul style="list-style-type: none">A tiny unit is defined as an Industrial or business enterprise whose investment in plant and machinery is not more than Rs. 25 lakhs</td></tr></table>	(1) Small scale industry (before 2006)	<ul style="list-style-type: none">It is defined as one in which the investment in fixed assets of plant and machinery does not exceed rupees one crore.However, for export promotion and modernization, the investment ceiling in plant and machinery is rupees five crores.	(2) Ancillary small industrial unit	<ul style="list-style-type: none">The small-scale industry can enjoy the status of an ancillary small industry if it supplies not less than 50 per cent of its production to another industry i.e. the parent unit.The ancillary small industry can manufacture parts, components, tools or intermediate products for the parent unit.	(3) Export oriented units	<ul style="list-style-type: none">The small-scale industry can enjoy the status of an export-oriented unit if it exports more than 50 per cent of its production.It can avail the incentives like export subsidies and other concessions offered by the government for exporting units.	(4) Small scale industries owned by women	<ul style="list-style-type: none">An enterprise promoted by women entrepreneurs is a small-scale industrial unit in which she/they individually or jointly have a share capital of not less than 51 per cent.Such units can avail the special concessions offered by the government, like low interest rates on loans, etc.	(5) Tiny industrial units	<ul style="list-style-type: none">A tiny unit is defined as an Industrial or business enterprise whose investment in plant and machinery is not more than Rs. 25 lakhs	
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25	<table><tr><td>(1) Trade enquiry and sending quotations</td><td><ul style="list-style-type: none">The domestic buyer who wishes to buy the goods from the other country sends an enquiry relating to price, desired quality, terms and conditions for the export of goods.The exporter sends a reply to the enquiry in the form of 'Quotation'.Quotation is also known as 'Proforma Invoice' which contains the information about the selling price, quantity, quality, mode of delivery etc.</td></tr><tr><td>(2) Procurement of import license</td><td><ul style="list-style-type: none">In case goods can be imported only against the license, the importer needs to procure an import license.</td></tr><tr><td>(3) Obtaining foreign exchange</td><td><ul style="list-style-type: none">The overseas supplier demands payment in a foreign currency.Payment in foreign currency involves exchange of Indian currency into foreign currency.In India, all foreign exchange transactions are regulated by the Exchange Control Department of the Reserve Bank of India (RBI).</td></tr></table>	(1) Trade enquiry and sending quotations	<ul style="list-style-type: none">The domestic buyer who wishes to buy the goods from the other country sends an enquiry relating to price, desired quality, terms and conditions for the export of goods.The exporter sends a reply to the enquiry in the form of 'Quotation'.Quotation is also known as 'Proforma Invoice' which contains the information about the selling price, quantity, quality, mode of delivery etc.	(2) Procurement of import license	<ul style="list-style-type: none">In case goods can be imported only against the license, the importer needs to procure an import license.	(3) Obtaining foreign exchange	<ul style="list-style-type: none">The overseas supplier demands payment in a foreign currency.Payment in foreign currency involves exchange of Indian currency into foreign currency.In India, all foreign exchange transactions are regulated by the Exchange Control Department of the Reserve Bank of India (RBI).	6				
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	(4) Placing order or indent	<ul style="list-style-type: none"> After the receipt of the 'Quotation', if the prospective buyer finds the information suitable to him, he places the 'Order/Indent' for the import of goods. 	
	(5) Obtaining letter of credit	<ul style="list-style-type: none"> The importer should obtain the letter of credit from his bank and forward it to the overseas supplier. 	
	(6) Arrangement of finance	<ul style="list-style-type: none"> The importer makes arrangements of finance in advance to pay to the exporter on arrival of goods at the port. 	
	(7) Receipt of shipment advice	<ul style="list-style-type: none"> After loading the goods on the ship, the overseas supplier dispatches shipment advice to the importer. A shipment advice contains information about the shipment of goods such as: <ul style="list-style-type: none"> Invoice number Bill of lading/Airways bill number and Date Name of the vessel with date Port of export Description of goods and quantity Date of sailing of a vessel. 	
	(8) Arrival of goods	<ul style="list-style-type: none"> Goods are shipped by the overseas supplier as per the contract. 	
	(9) Customs clearance and release of goods	<ul style="list-style-type: none"> All the goods imported into India have to pass through customs clearance after they cross the Indian borders. When the ship arrives at the port, the importer has to obtain a delivery order/endorsement for delivery on the back of the bill of lading from the concerned shipping company. 	