

## 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	(d) Nominal partner	1
2	It refers to a form of business organization which is owned and carried on jointly by the members of the Hindu Undivided Family (HUF).	1
3	Global enterprises are huge industrial organizations. They extend their industrial and marketing operations through a network of their branches in several countries.	1
4	<ul style="list-style-type: none"><li>(a) Air pollution</li><li>(b) Water pollution</li><li>(c) Land pollution</li><li>(d) Noise pollution</li></ul>	1
5	<ul style="list-style-type: none"><li>• Number of person employed</li><li>• Capital investment</li><li>• Volume of output</li><li>• Value of output of business</li><li>• Power consumed</li></ul>	1
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7	The Chamber of Commerce and Industry is a voluntary and non-profit organisation for all types of businesses. They have been playing a catalytic role in strengthening and promoting internal trade. Its objective is to safeguard the interests of both the business and the businessmen.	1				
8	Licensing & franchising gives the permission to organizations of other countries to sell the product of a particular company under its trademark, patents in return of some fees. Example- Pepsi and coca cola are produced and sold through different sellers abroad.	1				
9	<table><tr><td>Meaning of sole proprietorship</td><td><ul style="list-style-type: none"><li>• The word “sole” means “only” and “proprietor” refers to “owner”. It is that type of business organization which is owned, managed and controlled by a single owner.</li><li>• Example: Beauty parlor, barber shop, general store and sweet shop run by a single owner.</li></ul></td></tr><tr><td>Following are the advantages of the sole proprietorship</td><td><ul style="list-style-type: none"><li>• Quick decision making</li><li>• Confidentiality of information</li><li>• Direct incentive</li><li>• sense of accomplishment</li></ul></td></tr></table>	Meaning of sole proprietorship	<ul style="list-style-type: none"><li>• The word “sole” means “only” and “proprietor” refers to “owner”. It is that type of business organization which is owned, managed and controlled by a single owner.</li><li>• Example: Beauty parlor, barber shop, general store and sweet shop run by a single owner.</li></ul>	Following are the advantages of the sole proprietorship	<ul style="list-style-type: none"><li>• Quick decision making</li><li>• Confidentiality of information</li><li>• Direct incentive</li><li>• sense of accomplishment</li></ul>	3
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10	<p>(i) A private company can be formed by only two members whereas seven people are needed to form a public company.</p> <p>(ii) There is no need to issue a prospectus, as the public is not invited to subscribe to the shares of a private company.</p> <p>(iii) Allotment of shares can be done without receiving the minimum subscription.</p> <p>(iv) 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 of business.</p>	3				
11	<p>Business activities may be classified into two broad categories:</p> <table><tr><td>(a) Industry</td><td><ul style="list-style-type: none"><li>• It refers to economic activities which are connected with conversion of resources into useful goods.</li><li>• It is that activity which is concerned with extraction, production and processing of raw materials into goods and rendering of services.</li></ul></td></tr><tr><td>(b) Commerce</td><td><ul style="list-style-type: none"><li>• Commerce provides the necessary link between producers and consumers.</li><li>• It embraces all those activities, which are necessary for maintaining a free flow of goods and services. Like, transport, banking, insurance, communication, advertisement, packaging and warehousing.</li></ul></td></tr></table>	(a) Industry	<ul style="list-style-type: none"><li>• It refers to economic activities which are connected with conversion of resources into useful goods.</li><li>• It is that activity which is concerned with extraction, production and processing of raw materials into goods and rendering of services.</li></ul>	(b) Commerce	<ul style="list-style-type: none"><li>• Commerce provides the necessary link between producers and consumers.</li><li>• It embraces all those activities, which are necessary for maintaining a free flow of goods and services. Like, transport, banking, insurance, communication, advertisement, packaging and warehousing.</li></ul>	3
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12	<p>Following are the types services:</p> <p>(a) <b>Business services:</b> Services used by the business enterprises in conducting the activities of the business. Example: Banking, insurance, warehousing, communication services etc.</p> <p>(b) <b>Social services:</b> These services are provided voluntarily to fulfill the social goals. Example: Providing education and health facilities to the employees and their family members.</p> <p>(c) <b>Personal services:</b> These services are not consistent in nature. Different consumers have different services. Example: Tourism, restaurant etc.</p>	3										
13	<ol style="list-style-type: none"><li>1. It was set up in 1955 for the promotion and growth of small business units in the country.</li><li>2. NSIC focuses on the commercial aspects of the functions like:<ol style="list-style-type: none"><li>(i) Supply local and imported machines on easy hire-purchase terms.</li><li>(ii) Procure, supply and distribute home-grown and imported raw materials.</li><li>(iii) Export the products of small business units and develop export-worthiness.</li><li>(iv) Serve as technology business incubators.</li><li>(v) Creating awareness on technological up-gradation.</li><li>(vi) Developing software technology parks and technology transfer centers.</li></ol></li><li>3. A new scheme of 'performance and credit rating' of small businesses is implemented through NSIC with the twin objectives of:<ol style="list-style-type: none"><li>(i)Sensitizing the small industries about the need for credit rating.</li><li>(ii)Encouraging the small business units to maintain a good financial track record.</li></ol></li></ol>	3										
14	<p>Reasons underlying trade between nations.</p> <table><tr><td>(1) Production</td><td>It is not possible for a single country to produce equally with cheap cost. That is why international trade is taken into account.</td></tr><tr><td>(2) Factors of production</td><td>Factors of production like labor, capital raw material, For producing goods &amp; services which are available at different rates in Different countries.</td></tr><tr><td>(3) Cost of production</td><td>Each country finds it advantageous to produce only those goods &amp; services That it can produce efficiently. Rest of the activities are rest to other countries at lower cost.</td></tr><tr><td>(4) Resources distribution</td><td>Many of the times companies face problems in availability of natural resources. There is unequal distribution of the resources in the country.</td></tr><tr><td>(5) Examples</td><td>Different countries are specialized in different sectors like In India Maharashtra is involved in textiles, west Bengal in jute products, Haryana and Punjab in food products, Kerala in spices etc. Same is categorized for other countries.</td></tr></table>	(1) Production	It is not possible for a single country to produce equally with cheap cost. That is why international trade is taken into account.	(2) Factors of production	Factors of production like labor, capital raw material, For producing goods & services which are available at different rates in Different countries.	(3) Cost of production	Each country finds it advantageous to produce only those goods & services That it can produce efficiently. Rest of the activities are rest to other countries at lower cost.	(4) Resources distribution	Many of the times companies face problems in availability of natural resources. There is unequal distribution of the resources in the country.	(5) Examples	Different countries are specialized in different sectors like In India Maharashtra is involved in textiles, west Bengal in jute products, Haryana and Punjab in food products, Kerala in spices etc. Same is categorized for other countries.	3
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15	<p>Following is the type of warehouse:</p> <ul style="list-style-type: none"> <li>(a) Private warehouse: These are owned and managed by the single owner company who themselves handles their goods for maximum efficiency in product movement, proper material handling system is needed in the warehouse.</li> <li>(b) Public warehouse: It refers to those warehouses which are created for the public at large. They can be used for storing the goods of manufacturers, retailers, producers or any of the members of the public</li> <li>(c) Bonded warehouses: These are the warehouses which are licensed by the government to store the goods imported before payment of taxes like custom duty, excise duty.</li> <li>(d) Government warehouses: It refers to those warehouses which are fully controlled by the government. Government manages these warehouses with the help of other corporations like Food Corporation of India (FCI), state trading corporation, central warehousing corporation.</li> <li>(e) Cooperative warehouses: Some of the societies set up their own warehouses for their members. Societies like marketing cooperative societies, agricultural cooperative societies.</li> </ul>	4	
16	<p>Following are the social responsibilities for different interest groups:</p> <ul style="list-style-type: none"> <li>(a) Responsibility towards the shareholders: Shareholders are the owners of the company. The company should make all the efforts to maximize and protect shareholder's wealth. So it is the responsibility towards the shareholders to share the useful information and utilization of funds.</li> <li>(b) Responsibility towards the workers: Workers are the key persons behind a company success. Management of the enterprise must provide the proper working conditions to the workers, so workers should get fair salaries and wages.</li> <li>(c) Responsibility towards the consumers: It is the consumer who buys the company's product &amp; services. So, it is the responsibility of the company to provide the right quality, right quantity with the right price to the consumer. There should not be unfair trade practices like adulteration, poor quality, courtesy to the customers etc.</li> <li>(d) ) Responsibility towards the government &amp; community: Enterprises must follow the laws and regulations of the country/ state in which it is operating. Organizations should interact with society to know what they require. It should maintain proper infrastructure, proper disposal system and should not cause harm to the society in any manner.</li> </ul>	4	
17	Following are the merits of debentures:	4	

	<p>(a) Fixed income at lesser risk: Investors who want fixed income at lesser risk prefer debentures. Debentures are fixed charge funds. They do not participate in profits of the company.</p> <p>(b) Stability: Debentures are suitable to a Company when the sales and earnings of the company are stable.</p> <p>(c) Sharing profits: No scope for participation for anybody in the profit of the company.</p> <p>(d) Tax deductible: The company has the opportunity to further reduce the cost of raising funds which is not present in case of preference shares as they are not tax-deductible.</p> <p>(e) No dilution of control: There is no dilution of the managerial control of the company due to the issue of debentures.</p>											
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19	<p>Following are the limitations of electronic mode of doing business:</p> <p>(a) Resistance: Many people resist the acceptance of online COMMUNICATION. They resist learning faster ways of e-business because they are not updated with technology.</p> <p>(b) Timings: There is the time delay between the placement of order and receiving of orders by the customers. Due to technical reasons web sites take unusually long time to open, this may frustrate the users.</p> <p>(c) Personal communication: There is the lack of personal communication or face to face communication with the parties. It is a less suitable mode of business in respect of product categories requiring high personal touch such as garments, toiletries, etc.</p> <p>(d) Security: Seller must provide the customer with the safest way to make payments online. There are many hackers who can hack the private information while making payment online.</p> <p>(e) Ethical fallouts: Due to internet companies are keeping an eye check on the movement and personal affairs of the employees.</p>	5										
20	Different types of auxiliaries to trade are as follows:	5										

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23	<p>(a) On the Basis of Period:</p> <p>(i) Owners Funds: Owners fund are those funds which are provided by owners of a company and this includes not just capital but also profits reinvested in the business. Issue of equity shares and Retained Earnings are the two important sources of owner's funds.</p> <p>(ii) Borrowed Funds: Funds obtained through loans or borrowings for example Debentures, loans from banks and financial institutions, public deposits, lease financing and commercial papers. Borrowed funds are obtained in exchange of security of some fixed assets and a certain amount of interest is to be paid on such borrowings.</p> <p>(b) On the basis of ownership:</p> <p>(i) Short term Sources: These funds are required for a period not exceeding one year and which are used most commonly for financing current assets like accounts receivable and inventories. These funds include: Trade Credit, Loans from commercial banks and commercial papers.</p> <p>(ii) Medium Term Sources: When the funds are required for a period exceeding one year and up to 5 years. These funds include: borrowings from commercial banks, public deposits, lease financing and loans.</p>	6																		

	(iii) Long term Sources: These sources fulfill requirements for a period exceeding 5 years. The various sources are: shares, debentures, long term borrowings and loans.					
24	<p>Changing role of the public sector:</p> <ul style="list-style-type: none"> <li>• Post-independence public sector helped in building up the infrastructure for other sectors of the economy. Private sectors were unwilling to invest in the key areas where heavy investment was required.</li> <li>• Board for Industrial and Financial Reconstruction (BIFR) was referred for complete overhauling or shut down, when they were incurring losses continuously. Government took the responsibility of developing infrastructural facilities and provided goods, essential for the economy.</li> </ul> <p>Following are the factors responsible for changing role of public sector:</p> <p>(a) Development of infrastructure: Pre-independence basic infrastructure was not developed and industrialization developed at a very slow rate. Private sectors like fertilizers, pharmaceuticals, petrochemicals, newsprint, medium and heavy engineering were not functioning in the core direction.</p> <p>(b) Regional balance: In removing regional disparities, development of states in a balanced way, the public sector played a major role.</p> <p>(c) Economies of scale: Units like electric power plants, natural gas, petroleum and telephone industries are some examples which require a large base to function, and the public sector helps in their development.</p> <p>(c) Check over concentration of economic power: Inequalities of incomes, which is harmful for society, took birth due to monopolistic practices of the private sector. Concentration of wealth was prevented in private sectors because public sectors shared the income accrued in all the employees of the company.</p>	6				
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	inflow of foreign investments	barriers to foreign investment. It has attracted foreign investment in India.	
	(3) Stimulates economic growth	It helps in fostering growth of developing countries by providing them with special and preferential treatment in trade related matters.	
	(4) Raises income	As no country can be self-sufficient, it has to trade with other nations to supply its surplus products and thereby raises its national income.	
	(5) Provides more choice of products and qualities	It facilitates its member countries by providing varieties of products produced and traded among its member nations.	
	(6) Helps promote peace	It promotes international peace by solving the disputes among its members. It ensures to maintain code of conduct to be followed by its members.	