

KENDRIYA VIDYALAYA SANGATHAN
REGIONAL OFFICE VARANASI
SESSION ENDING EXAM 2014-15

CLASS: - XI

MAX. MARKS: - 90

SUBJECT: - BUSINESS STUDIES

MAX. TIME: - 3:00 HOURS

Solutions

1. Business ethics deals with values and principles governing behaviour of an individual or an organisation and business activities that are considered as likeable from the society viewpoint.
2. Banks hesitate to lend money to small scale industries because of low credit-worthiness and lack of collateral securities.
3. The objectives of WTO are:
 - i. To raise the standard of living in member countries.
 - ii. Development of a multilateral trading system.
4. The responsibility of business towards consumers is to supply the right quality and quantity of goods and services at reasonable prices.
5. An exporter needs a letter of credit to minimize the risk of non-payment.
6. The virus attack can be protected by installing and timely updating anti-virus programmes and scanning disks before using them.
7. If the wholesaler is eliminated, the manufacturers will face the following difficulties:
 - i. Unable to facilitate large scale production
 - ii. Unable to bear risk
8. The two limitations of Departmental store are:
 - i. High operational costs and high cost of capital
 - ii. Absence of personal touch
9. **GDR:** GDR stands for Global Depositary receipts. It is a type of bank certificate that acts as shares in foreign companies. It is a mechanism by which a company can raise equity from the international market. GDR is issued by a depository bank located overseas.

ADR: ADR stands for American Depository Receipts, which are a kind of negotiable security instrument that is issued by a US Bank representing a specific number of shares in a foreign company that trades in US financial markets. ADRs make it easy for US investors to purchase stock in foreign companies.

10. Utmost good faith principle is violated. Both the parties, insurer and insured should disclose all terms and conditions and material facts to each other in regard to the contract.
11. Privileges of a private company:
- A private company can be started with two members whereas a public company can be started with seven members.
 - It can work with two directors as compared to three under a public company.
12. Three features of public private partnership are:
- The private sector's role in the partnership is to make maximum use of its skills in managing tasks, innovation and operations to run the business effectively.
 - The public partners in a public-private partnership (PPP) are the government organisations, i.e., municipalities, government departments, ministries or state-owned enterprises.
 - The private partners in a public-private partnership (PPP) can be either local or international and include businesses or investors with financial or technical skills that are relevant to the project.
13. Documents required for the incorporation of a company are:
- Memorandum of Association
 - Articles of Association
 - Consent of Proposed Directors
 - Agreement
 - Statutory Declaration
 - Receipt of Payment of fee
14. The three ways in which e-banking can be conducted are:
- Automated Teller Machine (ATM):** An ATM is a computerized machine that provides the bank customers with the facility of accessing their accounts and allows customers to make several transactions without the teller, such as- withdrawing cash, making deposits etc.

- ii. **Debit Cards:** A debit card is an electronic card issued by a bank that allows the customer to withdraw cash from his account by swiping the card in an ATM and POS machines
- iii. **Credit Cards:** It is a plastic card issued by a bank that has a pre-determined maximum credit limit within which the customer can borrow in a given period for making payments.

15.

- i. **Multiple Option Deposit Account:** It is a temporary pass-through account held by a third party during the process of a transaction between two parties unless the transaction is completed.
- ii. **RTGS:** Real Time Gross Settlement (RTGS) is a money transfer process that is performed in real-time and without delays. RTGS requires Net Payment which implies that activities are carried out at an individual level without delay and not in a batch-wise process. RTGS is one of the fastest methods of transferring Interbank funds via online banking in India.

16. The following are some of the nature of business risk:

- i. Business risk arises due to uncertainties. Uncertainty is when it is not known what is going to happen in future. Examples of uncertainties that affect a business are, change in government policy, change in demand, change in technology, etc.
- ii. Risk is an essential part of the business. The risk involved in a business can be reduced to some extent but it is not possible to eliminate the risk involved.
- iii. Every business has a risk which varies in severity based on the type of business. For example, a large corporation or business will carry more risk as compared to small scale businesses.
- iv. Businesses take risk with the motive or expectation of earning profit.

17. No, the conduct of the manager of the petrol pump is not ethical.

The manager is guilty on the following counts: -

- i. Exploitation of customers
- ii. Adulteration of petrol and diesel which is illegal
- iii. Causing damage to the customer's vehicles

18.

Basis	Business	Profession	Employment
i. Qualification	Does not require any minimum qualification	Requires expertise and training in a specific field.	Requires qualification and training as prescribed by the employer.
ii. Mode of establishment	Depends on entrepreneur's decision	Getting membership of a professional body and certificate of practice.	Getting an appointment letter and entering into a service agreement.
iii. Return	In the form of Profit	Professional fees	Salary
iv. Risk	High	Moderate	No risk

19. Vending machines are the newest revolution in marketing methods. Coin operated vending machines are proving useful in selling several products such as hot beverages, platform tickets, milk, soft drinks, chocolates, newspaper, etc., in many countries.

The three benefits of vending machine are:

- Any time shopping
- Self service
- Fast service

20.

Basis	Shares	Debentures
i. Meaning	Shares are the company-owned capital.	Debentures are the borrowed capital of the company
ii. Holder	The person who holds the ownership of the shares is called as shareholders	The person who holds the ownership of the debentures is called as debenture holders.
iii. Mode of return	Shareholders are given the dividends.	Debenture holders are given interest.
iv. Voting rights	Shareholders possess voting rights.	Debenture holders do not possess any right for voting.
v. Conversion	Shares cannot be converted into debentures	Debentures can easily be converted into shares.

21. Resources required for successful implementation of e-commerce:

- i. Well-designed website to carry out e-business
- ii. Adequate computer hardware
- iii. Technically qualified personnel
- iv. Effective telecommunication facilities
- v. Efficient and reliable payment system

22. Global enterprises enjoy an upper hand on all other business organisation due to these reasons:

- i. **Wide market:** As the operations of the global enterprises expand among continents, they have access to a large geography and resources.
- ii. **Diversifying risk:** By operating in different countries and forging joint ventures with organisations of that country, the multinationals can reduce risk, as loss made in one country can be compensated with profit from another country.
- iii. **Funds:** As these enterprises have good financial resources, they raise funds from many sources and borrow funds from banks having an international presence.
- iv. **Research and Development:** They have a more organised R& D network which is also well funded that makes developing new products quicker than others.
- v. **Marketing:** Global companies have a more aggressive style of marketing that drives sales, and they come up with innovative marketing techniques that result in high sales volume.

23. The following incentives are offered by the Government in backward and hilly areas:

- i. **Land:** The government has offered lands at reduced rates in order to encourage setting up of small industries.
- ii. **Banking and Finance:** The government is offering subsidies in loan amounts up to 10-15% for establishing business in backward areas. This is done to encourage business, and capital is very much essential to start business.
- iii. **Raw Materials:** Availability of raw materials for setting up industries in hilly or backward areas is very scarce, so the government has made sure to provide the raw materials such as cement, steel and iron to expedite industry set up.
- iv. **Tax Exemption:** Government has encouraged new business by promising tax exemption for industries in backward areas.

- v. **Power:** Electricity is essential for a business and machinery, so to help more businesses to start the government is providing electricity at 50% discounted rate.

24. Yes, we agree that retained profits are better than any other source of raising finance.

Retained earnings are better than other sources of finance because:

- i. Retained earnings is a permanent source of funds which an organization can avail of and also are not dependent on investors preference.
- ii. It enhances the capacity of the business to absorb unexpected losses and shocks in the business.
- iii. It is economical and hence does not involve any explicit cost in the form of interest, dividend or flotation cost.
- iv. It does not dilute control of existing shareholders
- v. Due to internal generation of funds, there is a greater degree of operational freedom and flexibility.

OR

Equity shares represent the ownership of a company and thus the capital raised by issue of such shares is known as ownership capital or owner's funds.

Merits:

The important merits of raising funds through issuing equity shares are given as below:

- i. **Ideal for adventurous investors:** Equity shares are suitable for investors who are willing to assume risk for higher returns.
- ii. **No obligation as to dividend:** Payment of dividend to the equity shareholders is not compulsory. Therefore, there is no burden on the company in this respect;
- iii. **Source of fixed capital:** 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

Limitations:

The major limitations of raising funds through issue of equity shares are as follows:

- i. **Risk of fluctuating return:** Investors who want steady income may not prefer equity shares as equity shares get fluctuating returns;
- ii. **High cost of capital:** The cost of equity shares is generally more as compared to the cost of raising funds through other sources;

- iii. **Dilution of control:** Issue of additional equity shares dilutes the voting power, and earnings of existing equity shareholders;

25. International business includes all activities that are implemented to improve and support the transfer of services, goods, ideas, people, resources, and technologies across the country's boundaries. The international business study relates to understanding the results and consequences that are engaged with international trade, governments, companies, countries, domestic and foreign markets.

Basis	Domestic business	International business
i. Currency used	Domestic currency	Currency of more than one country
ii. Risk	Less	High
iii. Nationality of buyers and sellers	Both buyers and sellers belong to the same country.	Both buyers and sellers come from different countries.
iv. Order processing time	There is less time gap in order and supply of goods.	There is a wide time gap between order and supply of goods.
v. Nature of customers	Customers are homogeneous in their taste and preferences, consumption pattern and buying behavior.	Customers lack homogeneity due to different languages, preferences or customs in different countries.

OR

The important documents used in exporting are described as below:

- Mate's receipt:** The mate's receipt indicates the name of the vessel, berth, date of shipment, description of packages, marks and numbers, condition of the cargo at the time of receipt on board the ship, etc.
- Shipping Bill:** The shipping bill contains particulars of the goods being exported, the name of the vessel, the port at which goods are to be discharged, country of final destination, exporter's name and address, etc.
- Bill of lading:** Bill of lading is a document wherein a shipping company gives its official receipt of the goods put on board its vessel and at the same time gives an undertaking to carry them to the port of destination.

- iv. **Airway Bill:** An airway bill is a document wherein an airline company gives its official receipt of the goods on board its aircraft and at the same time gives an undertaking to carry them to the port of destination.
- v. **Marine insurance policy:** It is a certificate of insurance contract whereby the insurance company agrees in consideration of a payment called premium to indemnify the insured against loss incurred by the latter in respect of goods exposed to perils of the sea.
- vi. **Cart ticket:** A cart ticket is also known as a cart chit, vehicle or gate pass. It includes details of the export cargo in terms of the shipper's name, number of packages, shipping bill number, port of destination and the number of the vehicle carrying the cargo.

26. It is common for a business to check all the aspects before starting the operations. Here are some of the important points to consider:

- i. **Line of Business:** This helps in determining the line of business as it will help boost confidence.
- ii. **Scale of business:** This determines the scale on which the business will be run.
- iii. **Location:** A location for setting up a business requires considering the following factors such as cheap labour, availability of raw material, good transportation facilities, sufficient power and infrastructural facilities.
- iv. **Finance:** Business is impacted in every step by finance, starting from purchasing raw materials to machinery and then the further investments needed for growth. Therefore, raising funds is necessary for business.
- v. **Efficiency of Workforce:** A trained workforce is a pre-requisite to carry out different business activities, therefore identifying a skilled workforce is a must before starting a business.
- vi. **Physical requirements of business:** These include the tools, machinery and technology that increases the business efficiency. So it should be chosen as per the nature and scale of business.

OR

One of the most essential documents in the formation of a company is Memorandum of Association or MoA. It shows the main objectives of the company and its goals in the long term. The MoA regulates the incorporated company activities such that it can undertake activities that are mentioned in MoA. The number of persons signing the form varies as per the type of company (seven in case of public company while two members for private).

The main clauses of MoA can be as follows:

- i. **Name:** It should include the name of the company that has been approved by the registrar of companies.

- ii. **Registered Office:** The clause mentions the address and name of the company in which it is situated. Name giving is not mandatory, but it is essential to submit a company name within 30 days of its incorporation.
 - iii. **Objects Clause:** Most important clause while filling MoA is it defines the objectives for which a company is raised. Any activity cannot be undertaken that is not stated in the object clause. There are two types of object clauses, namely, main objects and other objects.
 - iv. **Liability Clause:** This clause is all about liability of each shareholder as per amount invested by them or the shares they own.
 - v. **Capital Clause:** It refers to the clause of raising authorised capital by issuing of shares
 - vi. **Association Clause:** It contains the statement by those who sign the MoA and who accept MoA and also the consent of buying qualification shares.
27. Retail shops serve as the final step in the distribution channel. It acts as a link between manufacturers and wholesalers by buying goods from manufacturers and selling them to consumers.

They are important because of the following reasons:

- i. **New products information:** Retailers act as an information source for new products, their price and features for customers. Customers use this information to decide products that can be bought.
- ii. **Wide selection:** Customers get a wide variety of choice of goods in a retail shop
- iii. **Convenience in buying:** Retail shops are conveniently located near to residential places that help customers get easy access to goods.
- iv. **Provide credit facilities:** Retailers offer extra facilities such as goods on credit to regular customers.
- v. **Regular availability of products:** Retail stores ensure availability of products in a timely manner, thus keeping customers happy.

OR

Chain stores or multiple shops are networks of retail shops that are owned and operated by manufacturers or intermediaries. Under this type of arrangement, a number of shops with similar appearance are established in localities, spread over different parts of the country.

Some of the important features of such shops may be described as follows:

- i. **Location:** These shops are located in fairly populous localities, where a sufficient number of customers can be approached. The idea is to serve the customers at a point

which is nearest to their residence or work place, rather than attracting them to a central place.

- ii. **Centralised Purchases:** The manufacturing/procurement of merchandise for all the retail units is centralised at the head office, from where the goods are dispatched to each of these shops according to their requirements. This results in savings in the cost of operation of these stores.
- iii. **Direct Supervision:** Each retail shop is under the direct supervision of a Branch Manager, who is held responsible for its day-to-day management. The Branch Manager sends daily reports to the head office in respect of the sales, cash deposits, and the requirements of the stock.
- iv. **Centralised Control:** All the branches are controlled by the head office, which is concerned with formulating the policies and getting them implemented.
- v. **Cash Sales:** The prices of goods in such shops are fixed and all sales are made on a cash basis. The cash realised from the sales of merchandise is deposited daily into a local bank account on behalf of the head office, and a report is sent to the head office in this regard.
- vi. **Regular Inspection:** The head office normally appoints inspectors, who are concerned with day-to-day supervision of the shops, in respect of quality of customer service provided, adherence to the policies of the head office, and so on.