

**KENDRIYA VIDYALAYA SANGATHAN REGIONAL OFFICE VARANASI
SESSION ENDING EXAM.2016-17
CLASS-XI
SUBJECT: -BUSINESS STUDIES**

[M. TIME: 3HRS.]

[M.M.90]

GENERAL INSTRUCTIONS: -

- (i) This question paper contains 27 questions; marks are indicated against each question.
- (ii) Question no.1 to 8, carrying 1 mark should be answered in one word or in one sentence.
- (iii) Question no.9 to 14 carrying 3 marks should be answered in about 50 words.
- (iv) Question no.15 to 19 carrying 4 marks should be answered in about 75-100 words.
- (v) Question no.20 to 23 carrying 5 marks should be answered in about 150 words.
- (vi) Question no.24 to 27 carrying 6 marks should be answered in about 200 words.
- (vii) In case of any discrepancy English version is taken correct.

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1. Mining
 2. Secret Partner
 3. Both in-bound and out-bound voice-based business
 4. Air pollution
 5. 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. As per the RBI guidelines, the minimum period of ICDs is 7 days which can be extended to one year.
 6. National Bank for Agriculture and Rural Development
 7. A Special Economic Zone or SEZ is a specially marked territory or enclave within the national borders of a country that has more liberal economic laws than the rest of the country.
 8. Bill of Lading and Letter of Credit.
 - 9.

Basis	Business	Profession	Employment
Nature of work	It involves production, purchase & sale or exchange of goods & services.	It involves the providing of personalized services of specialized nature	It involves performing the work as assigned by the employer.
Reward or Return	In the form of Profit	Professional fees	Salary
Capital Investment	Capital investment depending on the nature of business	Moderate capital investment required for furniture, instruments,	No capital investment is required

	activity and scale of operations	professional activities etc	
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- 10. NEFT:** NEFT or National Electronic Fund Transfer is a centralized nationwide payment method owned and controlled by the Reserve Bank of India (RBI). NEFT has the primary benefit that it can transfer funds from any branch account to any other bank account at any given venue.

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.

The functions of commercial banks are:

- Acceptance of deposits and
 - Lending of funds
- 11.** Online transactions occur when the buying and selling of goods or services takes place through the internet. The task of an online transaction starts from the initial contact phase and often ends after the delivery of goods or services.

The steps involved in online transaction are as follows:

- Registration:** Before online shopping, one has to register with the online vendor by filling-up a registration form. Registration means that you have an 'account' with the online vendor. Among various details that need to be filled in is a 'password' as the sections relating to your 'account', and 'shopping cart' are password protected.
 - Placing an Order:** The online buyer browses through the online store and selects the goods displayed in the website. The buyer then puts the selected goods in his 'shopping cart'. The buyer then proceeds to the payment option after selecting all the products.
 - Payment Mechanism:** The next step is the payment by the buyer to authenticate the purchase. Payment for the purchases through online shopping may be done in a number of ways like cash, cheque, net banking, credit card, debit card, etc.
- 12.** Knowledge process outsourcing or KPO defines the outsourcing of core business operations related to information that is competitively relevant or that form an essential part of the value chain of a corporation. The main reason behind KPO includes an increase in technical knowledge and skills, added value production, cost-saving opportunities and a lack of skilled labour.

Advantages of KPO are:

- Reduced cost:** The company does not have to set up any infrastructure or bear any operational costs. Thus, gets effective, expert services at a fraction of the cost.

- ii. **Access to the best talent:** KPO's provide the company with the best, most knowledgeable and skilled professionals available in the global talent pool. And if the KPO is in a developing country like India or Philippines then the cost of such talent is also relatively low.

13. Small scale businesses help the economy in following ways:

- i. **Employment:** Small scale industries especially rural and cottage industries play a major role in providing employment opportunities to the population in rural areas. It is very helpful for people who are economically weak.
- ii. **Industry set-up:** Small scale industries play a role in distribution of income by providing the opportunity to set up industries all across the country.
- iii. **Growth of economy:** Small scale businesses help drive the growth of the economy. It accounts for 45% of overall exports which greatly contributes to the economy.

14. WTO or World Trade Organisation is the principal international body concerned with solving trade problems between countries and providing a forum for multilateral trade negotiations.

Functions of WTO

The major functions of WTO include:

- i. Promoting an environment that is encouraging to its member countries to come forward to WTO in mitigating their grievances;
- ii. Laying down a commonly accepted code of conduct with a view to reducing trade barriers, including tariffs and eliminating discriminations in international trade relations.

15. The promoter takes up steps to prepare certain legal documents, which have to be submitted under the law, to the Registrar of the Companies for getting the company registered.

The documents to be submitted are:

- i. **Memorandum of Association:** Memorandum of Association defines the objectives of the company. No company can legally undertake activities that are not contained in its Memorandum of Association.
- ii. **Articles of Association:** Articles of Association are the rules regarding internal management of a company. These rules are subsidiary to the Memorandum of Association and hence, should not contradict or exceed anything stated in the Memorandum of Association.
- iii. **Consent of Proposed Directors:** Apart from the Memorandum and Articles of Association, a written consent of each person named as a director is required confirming that they agree to act in that capacity and undertake to buy and pay for qualification shares, as mentioned in the Articles of Association.

- iv. **Agreement:** The agreement, if any, which the company proposes to enter with any individual for appointment as its Managing Director or a whole time Director or Manager is another document which is required to be submitted to the Registrar for getting the company registered under the Act.

16. Departmental Undertaking is the form of business which is managed and controlled by a ministry or any department of ministry.

Two merits of departmental undertaking are as follows:

- i. These undertakings facilitate the Parliament to exercise effective control over their operations;
- ii. These ensure a high degree of public accountability.

One demerit of departmental undertaking are as follows:

- i. Departmental undertakings fail to provide flexibility, which is essential for the smooth operation of business.

17. Inox Power is engaged in the social objective to enhance the beauty and climate of the cities.

Arguments in favour of social objectives for business

- (i) justification for existence and growth,
- (ii) long-term interest and image of the firm, and
- (iii) avoidance of government regulation.

18. The factors that affect the choice of source of finance are briefly discussed below:

- i. **Cost:** There are two types of cost viz., the cost of procurement of funds and cost of utilising the funds. Both these costs should be taken into account while deciding about the source of funds that will be used by an organisation.
- ii. **Financial strength and stability of operations:** In the choice of source of funds business should be in a sound financial position so as to be able to repay the principal amount and interest on the borrowed amount.
- iii. **Form of organisation and legal status:** The form of business organisation and status influences the choice of a source for raising money. A partnership firm, for example, cannot raise money by issue of equity shares as these can be issued only by a joint stock company.
- iv. **Control:** A particular source of fund may affect the control and power of the owners on the management of a firm. Issue of equity shares may mean dilution of the control. Thus, business firms should choose a source keeping in mind the extent to which they are willing to share their control over business.

19. The invaluable services that the retailers render to the wholesalers are as follows:

- i. **Help in distribution of goods:** A retailer's most important service to the wholesalers and manufacturers is to provide help in the distribution of their products by making these available to the final consumers, who may be scattered over a large geographic area. They thus provide place utility.
- ii. **Personal selling:** In the process of sale of most consumer goods, some amount of personal selling effort is necessary. By undertaking personal selling efforts, the retailers relieve the producers of this activity and greatly help them in the process of actualising the sale of the products.
- iii. **Enabling large-scale operations:** On account of retailer's services, the manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities. This enables them to operate on, at relatively large scale, and thereby fully concentrate on their other activities.
- iv. **Collecting market information:** As retailers remain in direct and constant touch with the buyers, they serve as an important source of collecting market information about the tastes, preferences and attitudes of customers. Such information is considered very useful in taking important marketing decisions in an organisation.

20. The objectives of business other than maximising profits are described as follows:

- i. **Market Share:** A business will have competition and by staying ahead of competitors a business develops a market share. Maximum market share can be captured by providing quality products at reasonable prices.
- ii. **Worker performance:** A business will be performing at its best if the workers are motivated and satisfied. It requires a healthy working environment for the workers to make a great contribution.
- iii. **Innovation:** Innovation is the key to cutting down costs while improving performance, and by doing this a business can stay ahead of its competitors.
- iv. **Social Responsibility:** A business has certain responsibilities towards the society and these include removing poverty, unemployment and pollution etc. Fulfilling those responsibilities, a business earns goodwill.

21. Principle of Utmost Good Faith mentions that insurer and insured should display good faith towards each other in regard to the contract.

The other four principles of insurance are:

- i. **Insurable Interest:** The owner of an insurance policy should have an ownership interest in the subject matter or object that is insured. The absence of an insurable interest makes the policy null and void.
- ii. **Indemnity:** The principle of indemnity ensures that the insurance contract protects and compensates the insured from any loss.
- iii. **Proximate cause:** This principle is used to determine the cause of loss and if that loss is due to the object insured.
- iv. **Subrogation:** This principle states that once the appropriate compensation is paid, the ownership of the property or object gets transferred to the insurer so that the insured cannot sell the property for profit.

22. 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 amount 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.

23. Ashraf Garments will have to follow the procedure given below to execute the export order:

- i. **Obtaining Export License:** Ashraf Garments must inquire about importers creditworthiness. In this case Diamond House Limited. It can also ask for a letter of credit to be provided by the importer's bank. After conducting the check, Ashraf Garments needs to be registered to obtain an Importer - Exporter Code (IEC) so as to receive an export license.
- ii. **Obtaining Pre-shipment Finance and Production or Procuring:** Need to obtain the pre-shipment finance from the importer's bank so as to get raw material for production and

packaging. Prepare garments as per specification of importer. Start working after receiving pre-shipment finance from the bank.

- iii. **Pre-shipment Inspection:** Obtain a certificate of inspection from an export inspection agency or any similar authority.
- iv. **Excise Clearance:** Obtain excise clearance from the Excise commissioner. Issue of clearance subject to satisfaction of the excise commissioner.
- v. **Shipping:** Obtain certificate of origin which states the country where goods are produced. Apply to a shipping company for getting shipping space. All essential details such as types of goods, port name and shipment date mentioned.

24. One man control is the best in the world if the man is capable enough to manage everything. This statement states about the sole proprietorship form of business.

A sole proprietorship firm is managed, owned and controlled by a single individual also known as sole proprietor. He earns all the profits and is responsible for all losses of the business.

Following are the merits of sole proprietorship:

- i. **Ease of formation:** Sole proprietorship business is easy to set up as it requires very less legal formalities. Similarly, winding up of the sole proprietorship business is free from hassles.
- ii. **Quick decision making:** Decision making is quick as only one person is responsible for decision making.
- iii. **Direct incentive:** The owner is the one who reaps all benefits and also all losses which arise from the business.

Following are the demerits of sole proprietorship:

- i. **Limited resources:** Amount of capital invested in a business will be less as only one person is running the business.
- ii. **Limited managerial ability:** All the responsibilities of the business are managed by one person which can hamper the business due to lack of expert knowledge

OR

The cooperative society is a voluntary association of persons, who join together with the motive of welfare of the members.

Following are the merits of sole proprietorship:

- i. **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.
- ii. **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.
- iii. **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.

Following are the demerits of sole proprietorship:

- i. **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.
- ii. **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.

25. Statutory corporations are public enterprises brought into existence by a Special Act of the Parliament. The Act defines its powers and functions, rules and regulations governing its employees and its relationship with government departments.

This form of organisation enjoys certain **advantages** in its working, which are as follows:

- i. They enjoy independence in their functioning and a high degree of operational flexibility. They are free from undesirable government regulation and control.
- ii. Since the funds of these organisations do not come from the central budget, the government generally does not interfere in their financial matters.
- iii. Since they are autonomous organisations, they frame their own policies and procedures within the powers assigned to them by the Act.

This type of organisation suffers from several limitations, which are as follows:

- i. Government and political interference have always been there in major decisions or where huge funds are involved.
- ii. Where there is dealing with the public, rampant corruption exists.

OR

Merits of MNC (Multinational Corporations) are:

- i. **Employing new technologies-** These enterprises possess technological superiorities in their methods of production. They are able to conform to international standards and quality specifications.
- ii. **Huge capital resources:** Along with the use of new technology, the overall level of infrastructure of the country also rises. This also adds to the benefits to the developing countries.
- iii. **Better employment opportunities:** MNCs help to create employment opportunities in the developing countries. With increased market operations, they help in boosting employment in the nation.

Demerits of MNC (Multinational Corporations) are:

- i. **Exploitation of cheap labour:** MNCs often lead to the exploitation of the cheap labour by offering low wage rates.
- ii. **Increasing domestic competition:** MNCs have great influence in the market, thus increasing the level of competition among the domestic industries and thereby damaging the domestic market.
- iii. **Environment degradation:** As MNCs use the natural resources present in the developing countries, it leads to damages in the domestic resources. And thus, causes environmental degradation.

26. Commercial Paper is an unsecured promissory note issued by a firm to raise funds for a short period, varying from 90 days to 364 days.

Advantages:

- i. Commercial Paper provides more funds compared to other sources. Generally, the cost of commercial paper to the issuing firm is lower than the cost of commercial bank loans;
- ii. A commercial paper provides a continuous source of funds. This is because their maturity can be tailored to suit the requirements of the issuing firm. Further, maturing commercial paper can be repaid by selling new commercial paper;
- iii. Companies can park their excess funds in commercial paper thereby earning some good return on the same.

Limitations:

- i. The size of money that can be raised through commercial paper is limited to the excess liquidity available with the suppliers of funds at a particular time;
- ii. Commercial paper is an impersonal method of financing. As such if a firm is not in a position to redeem its paper due to financial difficulties, extending the maturity of a CP is not possible.

OR

- a. **Global Depository Receipts (GDR):** The local currency shares of a company are delivered to the depository bank. The depository bank issues depository receipts against these shares. Such depository receipts denominated in US dollars are known as Global Depository Receipts (GDR). GDR is a negotiable instrument and can be traded freely like any other security.
- b. **American Depository Receipts (ADR):** The depository receipts issued by a company in the USA are known as American Depository Receipts. ADRs are bought and sold in American markets, like regular stocks. It is similar to a GDR except that it can be issued only to American citizens and can be listed and traded on a stock exchange of the USA.
- c. **Indian Depository Receipt (IDR):** An Indian Depository Receipt is a financial instrument denominated in Indian Rupees in the form of a Depository Receipt. It is created by an Indian Depository to enable a foreign company to raise funds from the Indian securities market. The IDR is a specific Indian version of the similar global depository receipts.

27.

Basis	Department Stores	Multiple Shops
i. Location	A departmental store is located at a central place, where a large number of customers can be attracted to it.	The multiple stores are located at a number of places for approaching a large number of customers
ii. Range of products	Departmental stores aim at satisfying all the needs of customers under one roof.	The multiple stores generally aim to satisfy the requirements of customers relating to a specified range of their products only.
iii. Services offered	The departmental stores lay great emphasis on providing maximum service to their customers.	The multiple shops provide very limited service confined to guarantees and repairs if the sold-out goods turn out to be defective.
iv. Pricing	The departmental stores,	The multiple shop chains sell

	do not have uniform pricing policy for all the departments.	goods at fixed prices and maintain uniform pricing policies for all the shops.
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OR

The four roles of Indian Chambers of Commerce and Industry in promotion of Internal Trade are as follows:

- i. **Interstate movement of goods:** The Chambers of Commerce and Industry help in many activities concerning interstate movement of goods which include registration of vehicles, surface transport policies, construction of highways and roads.
- ii. **Octroi and other local levies:** Octroi and local taxes are collected on the goods and from people entering the state or the municipal limits. The Chambers of Commerce try to ensure that their imposition is not at the cost of smooth transportation and local trade.
- iii. **Harmonisation of sales tax structure and Value Added Tax:** The Chambers of Commerce and Industry play an important role in interacting with the government to harmonise the sales tax structure in different states. As per the new policy of the government, the Value Added Tax is being levied in place of the sales tax to remove the cascading effect of the sales tax.
- iv. **Marketing of agro products and related issues:** Streamlining of local subsidies and marketing policies of organisations selling agro products are some of the areas where the Chambers of Commerce and Industry can really intervene and interact with concerned agencies like farming cooperatives.