

KENDRIYA VIDYALAYA SANGATHAN, AGRA REGION

SESSION ENDING EXAMINATION (2019-20)

CLASS: XI (SET-V)

SUBJECT: BUSINESS STUDIES (054)

MAX.MARKS: 80

TIME: 3 HOURS

GENERAL INSTRUCTIONS:

1. There are total 34 questions in this question paper and attempt all parts of a question together
2. Answers to questions carrying 1 mark (**SECTION-A**) may be from one word to one sentence.
3. Answers to questions carrying 3 marks (**SECTION-B**) may be from 50-75 words.
4. Answers to questions carrying 4-5 marks (**SECTION-C & D**) may be about 150 words.
5. Answers to questions carrying 6 marks (**SECTION-E**) may be about 200 words.

1. Manufacturing Industries
2. Seven
3. Centralized control
4. Commercial Paper
5. Specialty stores
6. Franchising
7. Import Export Code
8. False
9. True
10. MOA
11. Under-subscription
12. Ethical
13. Cottage
14. (i) Capital invested in the business (ii) Number of units produced by business
15. Mode of business refers to the manner in which a business is done.

- 16. Two effects of noise pollution are loss of hearing, and malfunctioning of the heart.
- 17. New product information and Wide selection
- 18. Trade Credit
- 19. Principle of Utmost Good Faith
- 20. (i) - (a), (ii) - (c)
- 21. Business risk is defined as the possibility of occurrence of any unfavourable event that has the potential to minimise gains and maximise loss of a business.

Some of the causes of business risk are as follows:

- i. **Natural causes:** Natural causes of business risk include natural calamities like earthquake, tsunami, tornado, famine, floods and drought, etc. Humans and businesses do not have a control over the natural causes and there certainly isn't any kind of preparation that can be undertaken for such a business risk.
 - ii. **Human Causes:** The human causes of business risk are due to the loss of business that arises from changes in customer preferences, employee mindset, agitation by workers, negligence by employees, strikes and lockouts.
22. They can use the mode of **C2C commerce** where the business originates from the consumer and the ultimate destination is also consumers. This type of commerce is best suited for dealing in goods for which there is no established market mechanism. For example, eBay, Quikr etc. where consumers sell their goods and services to other consumers.

Another technology that has emerged to support C2C activities is that of the **payment intermediary**. For example, PayPal. Instead of purchasing items directly from an unknown, untrusted seller; the buyer can instead send the money to PayPal. From there, PayPal notifies the seller that they will hold the money for them until the goods have been shipped and accepted by the buyer.

23. The responsibility of business towards the government are as follows:
- i. To set up business as per guidelines issued by the government.
 - ii. To avoid indulging into monopolistic and other trade restrictive practices.
 - iii. To avoid indulging in unlawful activities like bribing, etc.
 - iv. To ensure regularity and honesty in the payment of fees, duties and taxes.
 - v. To follow pollution control norms set up by the government.

- vi. To establish new business units in rural and backward areas for balanced regional development of the country.

OR

I will favour Ram. Social responsibility is important for the success of the business.

The reasons are listed below:

- i. **Protect the interests of stakeholders:** To get the support of employees, it has become necessary for organisations to discharge responsibility towards their employees. Consumer does not buy what is offered to him. He buys what he wants. Consumer sovereignty has, thus, forced firms to assume social responsiveness towards them.
- ii. **Long-run survival:** A firm and its image stands to gain maximum profits in the long run when it has its highest goal as 'service to society'. It is in its own interest if a firm fulfills its social responsibility.
- iii. **Self-enlightenment:** With increase in the level of education and understanding of businesses that they are the creations of society; they are motivated to work for the cause of social good. Managers create public expectations by voluntarily setting and following standards of moral and social responsibility.

24. The advantages of borrowed funds are as follows:

- i. The interest paid on borrowed capital is a tax-deductible expense.
- ii. Borrowed funds do not lead to the dilution of control as they do not provide voting rights.
- iii. Borrowed funds provide flexibility in the capital structure of the company as they can be redeemed as and when required.

25.

- i. **Market traders:** The small retailers who open their shops at different places on fixed days or dates. They are mainly catering to lower-income group of customers and deal in low-priced consumer items of daily use.
- ii. **Cheap jacks:** Retailers who have independent shops of a temporary nature in a business locality. They keep on changing their business from one locality to another, depending upon the potentiality of the area. They deal in consumer items as well as services such as repair of watches, shoes, buckets etc.
- iii. **Street traders:** Retailers who are commonly found at places where huge floating population gathers, for example, near railway stations and bus stands, and sell consumer items of common use, such as stationery items, eatables, readymade garments, newspapers and magazines.

26. Four features of an MNC are explained below:

- i. **International operations:** Global MNCs run their foreign operations by establishing branches or subsidiary companies in host countries.
- ii. **Giant size:** MNCs have a huge basis of assets and revenues because of their huge size operations spread in a number of countries.
- iii. **Centralised control:** MNCs have a centralised control system. All the decisions for subsidiaries or branches are taken by the headquarters of MNCs. The Headquarters of MNCs exercise control over their foreign subsidiaries.
- iv. **Modern technology and management practices:** Most of the MNCs compete in the international markets on the basis of their modern technology and efficient management practices. In fact, these global enterprises are sources of the spread of modern technology and management practices in the world.

27. Social responsibility of business can be classified into the following four categories:

- i. **Economic responsibility:** Basically, a business enterprise is an economic institution. Therefore, its primary responsibility is to produce the goods and services according to the demands of the society and to earn profits.
- ii. **Legal responsibility:** The responsibility of every business is to carry out business activities within the laws of the country. Since these laws are meant for the good of the society, a law-abiding enterprise is a socially responsible enterprise as well.
- iii. **Ethical responsibility:** This refers to the behaviour of the firm expected by the society but not defined by law. For example, respecting the dignity of employees etc.
- iv. **Discretionary responsibility:** These obligations are assumed by the enterprises voluntarily. For example: Donation to charitable institutions, helping the affected people during floods, earthquakes, etc.

28.

- i. **Proforma Invoice:** A quotation sent by an exporter containing details regarding price of goods, weight, quality, mode of delivery, size, type of packing and payment terms.
- ii. **Shipping order:** It is an instruction to the captain of the ship that the specified goods after their customs clearance at the designated port be received on board.
- iii. **Letter of credit:** It is a guaranteed letter issued by the importer's bank stating that it will honour the export bills to the bank of the exporter up to a certain amount.

- iv. **Bill of entry:** It is an application form supplied by the customs office to the importer. It contains information like the name of the ship, number of packages, marks on the packages, name and address of the exporter, etc.

OR

Important formalities in getting an export licence are as follows:

- i. Opening a bank account in any bank authorised by the Reserve Bank of India (RBI) and getting an account number.
- ii. Obtaining Import Export Code (IEC) number from the Directorate General Foreign Trade (DGFT) or Regional Import Export Licensing Authority.
- iii. Registering with the appropriate export promotion council.
- iv. Registering with Export Credit and Guarantee Corporation (ECGC) in order to safeguard against the risk of non-payments.

29. The types of debentures are as follows:

- i. **Secured and unsecured debentures:** The debentures which create a charge on the assets of the company are called secured debentures and which do not create any charge are known as unsecured debentures.
- ii. **First and second debentures:** First debentures are the debentures which are repaid before other debentures are repaid. While the debentures which are paid after the first debentures have been paid back are known as second debentures.
- iii. **Zero interest debentures (ZID):** The debentures which do not carry any explicit rate of interest are known as zero interest debentures. The return to the investor is equal to the difference between the face value of the debentures and its issue price.
- iv. **Registered and bearer debentures:** The debentures which are duly recorded in the register of debenture holders maintained by the company and can be transferred only through a regular instrument of transfer are known as registered debentures while the bearer debentures are those which are transferable by mere delivery.
- v. **Convertible and non-convertible debentures:** The debentures that can be converted into equity shares after the expiry of a specified period are known as convertible debentures while the debentures that cannot be converted are known as non-convertible debentures.

30. (a) Ganga Dhar has decided to run his business as a **cooperative society**.

Definition of cooperative society: According to the Indian Cooperative Societies Act, 1912 "a society which has its objectives for the promotion of the economic interest of its members in accordance with cooperative principles."

(b) Merits:

- i. **Equality in voting status:** The principle of one man one vote governs the cooperative society.
- ii. **Limited liability:** The liability of members of a cooperative society is limited.
- iii. **Stable existence:** Death, bankruptcy or insanity of the members do not affect continuity of a cooperative society.
- iv. **Economy in operations:** The members generally offer honorary service to society.

31. The functions of warehousing are as follows:

- i. **Consolidation:** The warehouse receives and consolidates, materials/goods from different production plants and dispatches the same to a particular customer on a single transportation shipment.
- ii. **Break the bulk:** The warehouse performs the function of dividing the bulk quantity of goods received from the production plants into smaller quantities. These smaller quantities are then transported according to the requirements of clients to their places of business.
- iii. **Stock piling:** The next function of warehousing is the seasonal storage of goods to select businesses. Goods or raw materials, which are not required immediately for sale or manufacturing, are stored in warehouses. They are made available to business depending on customers' demand
- iv. **Value added services:** Certain value added services are also provided by the warehouses, such as in transit mixing, packaging and labelling. Goods sometimes need to be opened and repackaged and labelled again at the time of inspection by prospective buyers
- v. **Price stabilisation:** By adjusting the supply of goods with the demand situation, warehousing performs the function of stabilizing prices. Thus, prices are controlled when supply is increasing and demand is slack and vice versa.

OR

Banks perform a variety of functions including the basic or primary functions and the agency or general utility functions as discussed below

- i. **Accepting Deposits:** Banks accept deposits and pay interest on them as these deposits form the basis of loans given by banks. These deposits are generally taken through the current account, savings account and fixed deposits.
- ii. **Lending of Funds:** Second major function of commercial banks is to provide loans and advances to individuals and businesses out of the money received through deposits.
- iii. **Cheque Facility:** Banks collect the cheques of their customers drawn on other banks. The cheque is a developed credit instrument for the withdrawal of deposits which serves as a convenient and inexpensive medium of exchange.
- iv. **Remittance of Funds:** Commercial banks provide the facility of fund transfer from one place to another, on account of the interconnectivity of branches. The transfer of funds is administered by using bank drafts, pay orders or mail transfers on which the bank charges a nominal commission.
- v. **Allied Services:** In addition to the above functions, banks also provide allied services such as bill payments, locker facilities, and underwriting services. Banks also perform other services like opening demat and trading accounts of customers for buying and selling of shares.

32. The six steps required to raise funds from the public are described below:

- i. **SEBI approval:** The first step is to take the approval from the regulatory authority, i.e., SEBI. The company has to follow all the rules and guidelines that are issued by the SEBI.
- ii. **Filing of prospectus:** Prospectus is a statement containing all the relevant information regarding the state of affairs of the company and showing the prospects of the company. The purpose of the prospectus is to induce the public to purchase the shares and debentures. So, the next step is to file the copy of the prospectus with the registrar of firms.
- iii. **Appointment of bankers, brokers and underwriters:** The banker is appointed to collect the money coming from the applications. A broker is appointed to induce the public, by creating an image in the public's mind for the purchase of the shares and debentures. An underwriter is appointed to ensure that the issue is subscribed fully. The company appoints the bankers, brokers and underwriters and also pays charges for their services.
- iv. **Minimum subscription:** Minimum subscription refers to the minimum amount which should be subscribed by the public. According to the guidelines of SEBI, the minimum subscription is 90% of the entire issue.
- v. **Listing of shares:** Now the company will make an application to at least one stock exchange for the purchase of the shares.
- vi. **Allotment of shares:** Allotment letters are issued to successful applicants.

OR

Factors that determine the choice of the form of organisation:

- i. **Cost in setting up the organisation:** For the initial cost, a sole proprietorship is the preferred form as it involves the least expenditure. A company form of organisation, on the other hand, is more complex and involves more significant costs.
 - ii. **Liability:** In case of sole proprietorship and partners firms, the liability of the owners/partners is unlimited. In Joint Hindu Family Business, only the Karta has unlimited liability. In cooperative societies and companies, however, liability is limited.
 - iii. **Continuity:** In case the business needs a permanent structure, company form is more suitable. For short term ventures, proprietorship or partnership may be preferred.
 - iv. **Management ability:** A sole proprietor may find it challenging to have expertise in all functional areas of management. In other forms of organisations like partnership and company, there is no such problem.
 - v. **Capital consideration:** Companies are in a better position to collect a large amount of capital by issuing shares to a large number of investors. Partnership firms also have the advantage of the combined resources of all partners. However, the resources of a sole proprietor are limited.
 - vi. **Degree of control:** If direct control over operations and absolute decision-making power is required, a sole proprietorship may be preferred.
33. I would agree to set up a wholly owned factory i.e. wholly owned subsidiary in Bangkok for supplying customers in the South East area and Middle East area. Wholly owned subsidiary is the entry mode of international business is preferred by companies which want to exercise full control over their overseas operations. It can be established in 2 ways:
- i. Setting up a new firm altogether to start operations in a foreign country.
 - ii. Acquiring an established firm in the foreign country and using that firm to manufacture and/or promote its products in the host nation.

This helps us to Exercise full control over its operations. And we are not required to disclose technology or trade secrets to others. International Business benefits firm by the following ways:

- i. When the domestic prices are lower, business firms can earn more profits by selling their products in countries where prices are high.
- ii. Making use of surplus production capacities and thereby improving the profitability of operations.
- iii. When demand in the home country gets saturated, the company can think of growth prospects in developing countries.

- iv. When competition in the domestic market is very intense, internationalisation seems to be the only way to achieve significant growth.
- v. The vision to become international comes from the urge to grow, the need to become more competitive, the need to diversify and to gain strategic advantages of internationalisation.

34. In addition to the government plans that offer startup capital and bank loans, the funding for startups can also be availed in the following ways:

- i. **Boot-strapping:** Commonly known as self-financing, it is considered as the first funding option because by stretching out your personal savings and resources, you are tied to your business.
- ii. **Crowdfunding:** It is the pooling of resources by a group of people for a common goal. There are many instances of organisations reaching out to common people for funding. However, the emergence of platforms that promote crowdfunding is fairly recent to India.
- iii. **Angel investment:** Angel investors are individuals with surplus cash who have keen interest to invest in upcoming startups. They also offer mentoring or advice alongside capital.
- iv. **Venture capital:** There are professionally managed funds which are invested in companies that have huge potential. Venture capitalists provide expertise, mentorship and helps in evaluating business from sustainability and scalability point of view.
- v. **Business incubators and accelerators:** Early-stage business can consider incubator and accelerator programmes as a funding option. The incubator is like a parent who nurtures the business (child), whereas, accelerator helps to run or take a giant leap in business.
- vi. **Microfinance and NFBCs:** Micro finance is basically access to financial services to those who either do not have access to conventional banking services or have not qualified for a bank loan. Similarly, NBFCs (Non-Banking Financial Corporation) provides banking services without meeting the legal requirement of a bank.

OR

Small businesses have been facing a large number of problems compared to large-scale industries. The detailed description of the problems are as follows:

- i. **Finance:** The most serious problem faced by SSIs is that non-availability of adequate finance to carry out their operations. Small-scale sector lacks the creditworthiness and collateral required to raise capital from the capital markets or financial institutions and hence they depend on local money lenders who charge high interest rates.

- ii. **Raw Materials:** Another major problem of small business is the procurement of raw materials. If the required materials are not available, they have to compromise on the quality or have to pay a high price to get good quality materials.
- iii. **Marketing:** Effective marketing is a weaker area of small organisations. These organisations depend excessively on middlemen, who at times exploit them by paying low price and delaying payments.
- iv. **Quality:** Small business organisations generally concentrate on cutting the cost and keeping the prices low. In doing this, they are unable to maintain the desired standards of quality as they do not have adequate resources to invest in quality research and expertise to upgrade technology.
- v. **Capacity:** Utilisation Small business firms have to operate below full capacity due to lack of demand. Due to this their operating costs tend to increase which gradually leads to sickness and closure of the business.
- vi. **Technology:** Use of outdated technology is a serious shortcoming of small industries which results in low productivity and uneconomical production.