

**INDIAN SCHOOL MUSCAT**  
**FINAL TERM EXAMINATION FEBRUARY 2018**

**CLASS XI**

**Marking Scheme – BUSINESS STUDIES [THEORY]**

Q.NO.	Answers	Marks
1	Importing the goods for the purpose of exporting.	1
2	With a common seal.	1
3	(i) Departmental undertaking (ii) Statutory corporation (iii) Government company	1
4	Business services are defined as the services which help in smooth conduct of business.	1
5	Second hand goods.	1
6	Ans. 1. Providing good quality products to the customers. 2. Providing goods at the reasonable price. 3. Providing employment to the weaker sections of the society. 4. Abide by the rule and regulations laid down by the government and paying taxes on time 5. Paying minimum and fair wages to the workers 6. Not to use child labour in production process. 7. Judicious use of natural resources. (any two)	1 ( $\frac{1}{2}+\frac{1}{2}$ )
7	Equity shareholders are entitled to get the dividends only after all other classes of shareholders have received their specified returns. They get the money back only at the time of winding up of the company. Thus equity share capital is called risk capital.	1
8	The definition used by the Government of India to describe small industries is based on the investment in plant and machinery.	1

- 9 In case a firm does not get registered, it is deprived of many benefits. 3  
 The consequences of non-registration of a firm are as follows: (1x3)  
 (a) A partner of an unregistered firm cannot file a suit against the firm or other partners.  
 (b) The firm cannot file a suit against third parties and  
 (c) The firm cannot file a case against the partners.
- 10 (i) Prospects for higher profits: 3  
 International business can be more profitable than the domestic business. (1x3)  
 (ii) Increased capacity utilisation:  
 Many firms setup production capacities for their products which are in excess of demand in the domestic market.  
 (iii) Prospects for growth:  
 Business firms find it quite frustrating when demand for their products starts getting saturated in the domestic market. Such firms can considerably improve prospects of their growth by plunging into overseas markets.  
 (iv) Way out to intense competition in domestic market:  
 When competition in the domestic market is very intense, internationalisation seems to be the only way to achieve significant growth.  
 (v) Improved business vision:  
 The growth of international business of many companies is essentially a part of their business policies or strategic management. (any 3)
- 11 Utmost good faith: 3  
 A contract found on utmost good faith. Both the insurer and the insured should display good (1+2)  
 faith towards each other in regard to the contract.
- 12 Any business organisation if it so desires can join hands with another business organisation for 3  
 mutual benefit. These two organisations may be private, government-owned or a foreign  
 company. When two businesses agree to join together for a common purpose and mutual  
 benefit, it gives rise to a joint venture.
- 13 The important merits of trade credit are as follows: 3  
 (i) Trade credit is a convenient and continuous source of funds; (1x3)  
 (ii) Trade credit may be readily available in case the credit worthiness of the customers is known to the seller;

- (iii) Trade credit needs to promote the sales of an organisation;
- (iv) If an organisation wants to increase its inventory level in order to meet expected rise in the sales volume in the near future, it may use trade credit to, finance the same;
- (v) It does not create any charge on the assets of the firm while providing funds. (any 3)
- 14 (a) Compared with the itinerant traders, normally they have greater resources and operate at a relatively large scale. 3  
(1x3)
- (b) These retailers may be dealing in different products, including consumer durables as well as nondurables; and
- (c) This category of retailers has greater credibility in the minds of customers, and they are in a position to provide greater services to the customers such as home delivery, guarantees, repairs, credit facilities, availability of spares, etc.
- 15 Due to its advantages over other firms. 4
- a. It is registered under Company's Act.
- b. It has a separate legal entity
- c. It can be easily formed as per the provision of Co.'s Act
- d. It enjoys autonomy in management decisions and flexibility in day to day working.
- 16 (i) These are organised by individuals, with private resources; 4  
(ii) Normally use family labour and locally available talent; (1x4)  
(iii) The equipment used is simple;  
(iv) Capital investment is small;  
(v) Produce simple products, normally in their own premises;  
(vi) Production of goods using indigenous technology. (any 4)
- 17 Mate's receipt: 4
- This receipt is given by the commanding officer of the ship to the exporter after the cargo is loaded on the ship. 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. (4x1)

#### Shipping Bill:

The shipping bill is the main document on the basis of which customs office grants permission for the export. 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. It is also a document of title to the goods and as such is freely transferable by the endorsement and delivery.

Airway Bill:

Like a bill of lading, 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. It is also a document of title to the goods and as such is freely transferable by the endorsement and delivery.

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.

Cart ticket:

A cart ticket is also known as a cart chit, vehicle or gate pass. It is prepared by the exporter and 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. (any 4)

18 Sole proprietorship.

4

Merits:

(4x1)

(i) Quick decision making:

A sole proprietor enjoys considerable degree of freedom in making business decisions. Further the decision making is prompt because there is no need to consult others.

(ii) Confidentiality of information:

Sole decision making authority enables the proprietor to keep all the information related to business operations confidential and maintain secrecy.

(iii) Direct incentive:

A sole proprietor directly reaps the benefits of his/her efforts as he/she is the sole recipient of all the profit. The need to share profits does not arise as he/she is the single owner.

(iv) Sense of accomplishment:

There is a personal satisfaction involved in working for oneself. The knowledge that one is responsible for the success of the business not only contributes to self-satisfaction but also instils in the individual a sense of accomplishment and confidence in one's abilities.

(v) Ease of formation and closure:

An important merit of sole proprietorship is the possibility of entering into business with minimal legal formalities. There is no separate law that governs sole proprietorship. As sole proprietorship is the least regulated form of business, it is easy to start and close the business as per the wish of the owner.

This will help in gaining monetary benefits and status in society by providing good quality goods to customers. (any 4)

19 Build up arguments for social responsibilities.

4

Case for Social Responsibility:

(4x1)

(i) Justification for existence and growth:

Business exists for providing goods and services to satisfy human needs. Though, profit motive is an important justification for undertaking business activity, it should be looked upon as an outcome of service to the people.

(ii) Long-term interest of the firm:

A firm and its image stands to gain maximum profits in the long run when it has its highest

goal as 'service to society'. When increasing number of members of society feel that business enterprise is not serving its best interest, they will tend to withdraw their cooperation to the enterprise concerned.

(iii) Avoidance of government regulation:

From the point of view of a business, government regulations are undesirable because they limit freedom. Therefore, it is believed that businessmen can avoid the problem of government regulations by voluntarily assuming social responsibilities, which helps to reduce the need for new laws.

(iv) Maintenance of society:

The argument here is that laws cannot be passed for all possible circumstances. People who feel that they are not getting their due from the business may resort to anti-social activities, not necessarily governed by law. This may harm the interest of business itself.

(v) Availability of resources with business:

This argument holds that business institutions have valuable financial and human resources which can be effectively used for solving problems. It can help society to tackle its problems better, given the huge financial and human resources at its disposal.

(vi) Converting problems into opportunities:

Related with the preceding argument is the argument that business with its glorious history of converting risky situations into profitable deals, can not only solve social problems but it can also make them effectively useful by accepting the challenge.

(vii) Better environment for doing business:

If business is to operate in a society which is full of diverse and complicated problems, it may have little chance of success. A society with fewer problems provides better environment for a firm to conduct its business.

(viii) Holding business responsible for social problems:

It is argued that some of the social problems have either been created or perpetuated by

business enterprises themselves. Therefore, it is the moral obligation of business to get involved in solving these problems. (any 4)

- 20 (i) it is a source of income for business persons. 5  
 (ii) it can be a source of finance for meeting expansion requirements of business. (5x1)  
 (iii) it indicates the efficient working of business.  
 (iv) it can be taken as society's approval of the utility of business and  
 (v) it builds up the reputation of a business enterprise.

21

Basis	Departmental Stores	Multiple Shops
Nature	There is one store with many departments	There are several shops under this system and shops are scattered over several places.
Variety of goods	It deals in a large variety of goods	They deal in one specialized commodity
Location	It is located at a central place in a city	The chain stores are spread over in many cities
Customers	High class rich people	Higher and middle income group
Risk	Risk is more and concentrated on the store	Risk is divided over all the shops.
Price of products	Prices charged are not fixed and uniform	Prices charged are fixed and uniform
Facilities provided	Provide many allied facilities	No facility is provided to customers

5  
(5x1)

22 a. Trade enquiry: 5

If some business firm in India wants to import goods, it has to gather information about (5x1)

suppliers can supply the required goods. After that the trader has to send a trade enquiry for collecting information. Then the exporter issues a quotation/Performa invoice which contains all the details.

b. Procurement of import license: There are certain goods that can be imported freely, while others need licensing. The importer needs to consult the Export Import (EXIM) policy in force to know about it.

In India, it is obligatory for every importer (and also for exporter) to get registered with the Directorate General Foreign Trade (DGFT) or Regional Import Export Licensing Authority, and obtain an Import Export Code (IEC) number.

c. Obtaining foreign exchange:

In India, all foreign exchange transactions are regulated by the Exchange Control Department of the Reserve Bank of India (RBI). The application is made in a prescribed form along with the import license as per the provisions of Exchange Control Act. After proper scrutiny of the application, the bank sanctions the necessary foreign exchange for the import transaction.

d. Placing the order or indent:

After making arrangement for license and foreign exchange, indent or order is sent to foreign exporter. The import order contains information about the price, quantity size, grade and quality of goods ordered and the instructions relating to packing, shipping, ports of shipment and destination, delivery schedule, insurance and mode of payment.

e. Sending letter of credit: the importer should obtain the letter of credit from its bank and forward it to the overseas supplier. A letter of credit is a guarantee issued by the importer's bank that it will honor payment up to a certain amount of export bills to the bank of the exporter. Letter of credit is the most appropriate and secured method of payment adopted to settle international transactions.

23 Land:

Every state offers developed plots for setting up of industries. The terms and conditions may vary. Some states don't charge rent in the initial years, while some allow payment in instalments.

5  
(5x1)

Power:

Power is supplied at a concessional rate of 50 per cent, while some states exempt such units from payment in the initial years.

Water:

Water is supplied on a no-profit, no-loss basis or with 50 per cent concession or exemption from water charges for a period of 5 years.

Sales Tax:

In all union territories, industries are exempted from sales tax, while some states extend exemption for 5 years period.

Octroi:

Most states have abolished octroi.

Raw materials:

Units located in backward areas get preferential treatment in the matter of allotment of scarce raw materials like cement, iron and steel etc.

Finance:

Subsidy of 10-15 per cent is given for building capital assets. Loans are also offered at concessional rates. Industrial estates: Some states encourage setting up of industrial estates in backward areas.

Tax holiday:

Exemption from paying taxes for 5 or 10 years is given to industries established in backward, hilly and tribal areas.

24 Data storage and transmission risks:

Data stored in the systems and en-route is exposed to a number of risks.

Vital information may be stolen or modified to pursue some selfish motives or simply for fun/adventure.

The effect of computer viruses can range from mere annoyance in terms of some on-screen display (Level-1 virus), disruption of functioning (Level-2 virus) damage to target data files (Level-3 virus), to complete destruction of the system (Level-4 virus).

Risks of threat to intellectual property and privacy:

Once the information is available over the internet, it moves out of the private domain. It then becomes difficult to protect it from being copied.

Data furnished in the course of online transactions may be supplied to others who may start

6  
(3x2)

dumping a host of advertising and promotional literature into your e-mail box.

You are then at the receiving end, with little respite from receiving junk mails. (any 6)

- 25 Clauses of Memorandum of Association are: 6
- (a) The Name clause. Under this clause, the corporate name of the company is stated. (6x1)
  - (b) The Registered office clause. Along with the name of the state in which Registered Office is situated, the address of the Registered office is also given.
  - (c) The Objects clause. It sets out the objects with which a company is formed. The company is not legally entitled to do any business other than that specified in its objects clause.
  - (d) Liability clause. This clause states that the liability of members is limited to the amount.
  - (e) The Capital clause. Every limited company having a share capital must state the amount of its share capital with which the company is proposed to be registered and the division thereof into the shares of fixe denomination.
  - (f) Association/Subscription clause. Under this clause, the signatories to the Memorandum express their desire and agreement to form a company. They also agree to take the number of shares mentioned against their respective names.
- 26 Yes. I agree. 6
- Merits (1+5)
- i) Retained earnings is a permanent source of funds available to an organisation;
  - ii) It does not involve any explicit cost in the form of interest, dividend or floatation cost;
  - iii) As the funds are generated internally, there is a greater degree of operational freedom and flexibility;
  - iv) It enhances the capacity of the business to absorb unexpected losses;
  - v) It may lead to increase in the market price of the equity shares of a company.
- 27 (i) Insurable Interest 6
- (ii) Proximate Cause: (6x1)

- (iii) Mitigation
- (iv) Contribution.
- (v) Subrogation and
- (vi) Indemnity

(i) Insurable Interest: The insured must have an insurable interest in the subject matter of insurance. Insurable interest means some pecuniary interest in the subject matter of the insurance contract.

(ii) Proximate Cause: According to this principle, an insurance policy is designed to provide compensation only for such losses as are caused by the perils which are stated in the policy. When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is the natural consequence.

(iii) Mitigation: This principle states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property. The insured must behave with great prudence and not be careless just because there is an insurance cover.

(iv) Contribution: As per this principle it is the right of an insurer who has paid claim under an insurance, to call upon other liable insurers to contribute for the loss of payment. It implies, that in case of double insurance, the insurers are to share the losses in proportion to the amount assured by each of them. In case there is a loss, when there is more than one policy on the same property, the insured will have no right to recover more than the full amount of his actual loss.

(v) Subrogation: It refers to the right of the insurer to stand in the place of the insured, after settlement of a claim, as far as the right of insured in respect of recovery from an alternative source is involved. After the insured is compensated for the loss or damage to the property insured by him/her the right of ownership of such property passes on to the insurer.

(vi) Indemnity: All insurance contracts of fire or marine insurance are contracts of indemnity. According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against.