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Code Number



**INDIAN SCHOOL MUSCAT
THIRD PRELIMINARY EXAMINATION
ELEMENTS OF BUSINESS**

MARKING SCHEME

CLASS: X

Sub. Code: (154)

Time Allotted: 3 Hrs

Date : 04/02/2018

Max. Marks: 100

General Instructions:

1. All questions are compulsory.
2. Questions from serial no. 1 to 16 are multiple choice questions, carrying 1 mark each. These are to be answered by writing the correct option in your answer sheet.
3. Answers to questions from serial no. 17 to 20 carrying 3 marks each may be of 50 to 70 words each.
4. Answers to question no 21 to 28 carrying 4 marks each may be of about 150 words.
5. Answers to questions 29 to 36 carrying 5 marks each may be of about 200 words.
6. Attempt all parts of a question together.

- 1 An artificial person having a separate legal entity, perpetual succession and a common seal. 1
(a)Partnership (b)Joint Stock Company
(c)Joint Hindu Family Business (d)Sole Proprietorship
Ans : (b)Joint Stock Company
- 2 This form of business invites public to subscribe to its share capital. 1
(a)Private Company (b)Public Company
(c)Sole Proprietorship (d)Partnership
Ans : Public Company
- 3 The capital of the company is divided into smaller parts called _____. 1
(a)debentures (b)amount
(c)shares (d)liability
Ans : (c)shares
- 4 The sources of funds fulfil the financial requirements of an enterprise for a period exceeding 5 1
years.
(a)short term (b)long term
(c)medium term
Ans : (b)long term
- 5 A portion of the net earnings may be retained in the business for use in the future. 1
(a)retained earnings. (b)issue of shares
(c)public deposits (d)trade credit
Ans : (a)retained earnings.
- 6 A general term that refers to holding a conference with a group of people, the individuals of which 1
aren't necessarily present in the same location.
(a)videoconferencing (b)teleconferencing

- (c)e-mail (d)fax
 Ans : (b)teleconferencing
- 7 The process of communication is incomplete without _____. 1
 (a)rumours (b)encoding
 (c)feedback (d)decoding
 Ans : (c)feedback
- 8 This acts as an instruction to a bank or building society to take money from your account to put into the account of the person who receives it. 1
 (a)cheque (b)debit card
 (c)credit card (d)digital cash
 Ans : (a)cheque
- 9 This document allows a prospective buyer to see what costs would be involved for the work they would like to have done. 1
 (a)invoice (b)debit note
 (c)credit note (d)quotation
 Ans : (d)quotation
- 10 A sum of money paid in small parts in a fixed period of time. 1
 (a)credit purchase (b)cash purchase
 (c)hire purchase (d)instalment
 Ans : (d)instalment
- 11 A business enterprise that is engaged in the sale of goods and services directly to the ultimate consumers. 1
 (a)wholesaler (b)retailer
 (c)importer (d)exporter
 Ans: (b)retailer
- 12 The concept of Automated Teller Machines (ATM) in the banking service that is getting popular in many parts of our country is an example of _____. 1
 (a)vending machine (b)teleshopping
 (c)mail order business (d)chain store
 Ans : (a)vending machine
- 13 The pricing policy followed by chain stores. 1
 (a)differential pricing (b)bargaining
 (c)price discrimination (d)fixed price
 Ans : (d)fixed price
- 14 The set of marketing activities undertaken to boost sales of the product or service. 1
 (a)salesmanship (b)publicity
 (c)advertising (d)sales promotion
 Ans : (d)sales promotion
- 15 Under this method, the customers are offered products on less than the listed price. 1
 (a)rebate (b)discount
 (c)product combination (d)lucky draw
 Ans : (b)discount

- 16 It is a common method which is usually undertaken by retailers who display their products in the shop windows in order to attract the customers. 1
- (a) window display (b) film advertising
(c) radio advertising (d) television advertising
Ans : (a) window display
- 17 Define 'Government Company'. Name two government companies. 3
- Ans : According to the Indian Companies Act 1956, a government company means any company in which not less than 51 percent of the paid up capital is held by the central government, or by any state government or partly by central government and partly by one or more state governments.
- Steel Authority of India limited (SAIL), Bharat Heavy Electrical Limited (BHEL)
- 18 Explain any three sources from where Sole Proprietorship Business obtains funds. 3
- Ans : 1. **Friends & Family** - Even if each individual cannot invest a large amount, if you have enough resources you can raise a healthy amount of money to get your company started.
2. **Seek out angel investors** - While banks and venture capital firms may not be willing to take a risk on the owner of a sole proprietorship, angel investors who can become passionate about your business may supply you with the funding you need.
3. **Small Business Administration Loan** - The micro-loan program is a common option for start-ups and it offers low interest rates and easy payment terms.
4. **Business grants** - Grants are ideal for a sole proprietorship. They are typically not based on credit worthiness and they never have to be paid back. Search out companies and organizations that offer grants in your area or to specific interest groups.
5. **Open a business line of credit** - If all else fails, a business credit card or line of credit may be the only remaining option to raise money as a sole proprietorship.
- 19 Give three points of differences between 'letter' and 'e-mail'. 3
- Ans : (i) **Formality** - The rigid format of business letters, which are normally sent on letterhead or high grade paper, automatically makes them more formal than business emails.
- (ii) **Writing Style** - Because some communications, such as those concerning legal matters, are more appropriate for business letters than they are for business emails, a greater range of formal-to-informal rhetorical styles applies to business letters than business emails.
- (iii) **Purpose** - A wider range of topics and document types are more appropriate for business letters than business emails.
- (iv) **Destination** - You always direct business letters to an audience external to the organization. Hardcopy communications sent within an organization are called memorandums or memos. You can send business emails to people within the same organization, to people in a separate organization, to an individual or to any combination thereof.
- (v) **Security and Privacy** - Distribution of business letters to secondary parties tends to involve a limited number of recipients. Business email distribution, on the other hand, often involves many recipients; unless the "bcc" function is used, all recipients can see each others' email contact information, which can create security and privacy concerns.

20 Explain the terms (a)Quotation and (b)Invoice 3
 Ans : (a)Quotation : A quotation allows a prospective buyer to see what costs would be involved for the work they would like to have done. Many businesses provide services that cannot have an upfront price, as the costs involved can vary.

(b)Invoice : An invoice, bill or tab is a commercial document issued by a seller to a buyer, relating to a sale transaction and indicating the products, quantities, and agreed prices for products or services the seller had provided the buyer.

21 State four differences between Public and Private Companies. 4

No	Basis	Private Company	Public Company
1	No. of members	Minimum-2, maximum-50.	Minimum-7, maximum-unlimited.
2	Prospectus	No need to issue a prospectus.	Needs to issue prospectus as public is invited to subscribe to the shares.
3	Time of starting business.	Can start business immediately after receiving certificate of incorporation.	Has to wait for certificate of commencement of business before they can start business.

22 Define Joint Stock Company. How is it managed? 4
 Ans : A company can be described as an artificial person having a separate legal entity, perpetual succession and a common seal.
 The shareholders are the owners of the company while the Board of Directors is the chief managing body elected by the shareholders.

23 Write short notes on the following : (a)Trade Credit and (b)Public Deposit 4
 Ans :(a)Trade Credit - It is the credit extended by one trader to another for the purchase of goods and services. Trade credit facilitates the purchase of supplies without immediate payment.
 (b)Public Deposit - The deposits that are raised by organisations directly from the public are known as public deposits.

24 What is 'Business Communication'? Discuss its two main types. 4
 Ans : **Business communication refers to how information is shared between employees at a company for the commercial benefit of that organization.** There are two main types of business communication:-

(i)The first kind is **oral communication**, in which information is exchanged verbally. Companies used to handle oral communication through face-to-face interaction and telephone. With modern technology, computers make it possible for employees to orally share information on computers via webcam.

(ii)The second form is known as **written communication**, which used to be limited to paper communication. Technology has changed written communication to include text messages and emails.

- 25 Explain (a)Debit Card and (b)Credit Card as methods of payment for purchase of goods. 4
Ans : (a) Debit Cards :Most banks issue plastic debit cards to their current account customers. Debit cards can be used to buy goods and services and withdraw cash from your bank account. They are also a convenient way to pay for goods and services over the internet, by telephone or by mail order. Debit cards allow you to get cashback from certain shops.
- (b)Credit Card : Credit card is a way to buy goods and services now and pay later. A customer can spend up to an agreed credit limit and repay it, usually once a month on a particular payment date. If a customer doesn't pay back the full balance outstanding each month, interest is charged on the remaining money.
- 26 State four features of a Departmental Undertaking. 4
Ans : (a) A modern departmental store may provide all facilities such as restaurant, travel and information bureau, telephone booth, restrooms, etc.
- (b) These stores are generally located at a central place in the heart of a city, which caters to a large number of customers.
- (c) As the size of these stores is very large, they are generally formed as a joint stock company managed by a board of directors. There is a managing director assisted by a general manager and several department managers;
- (d) A departmental store combines both the functions of retailing as well as warehousing. They purchase directly from manufacturers and operate separate warehouses. That way they help in eliminating undesirable middlemen between the producers and the customers; and
- (e) They have centralised purchasing arrangements. All the purchases in a department store are made centrally by the purchase department of the store, whereas sales are decentralised in different departments.
- 27 Define 'Personal Selling'. Discuss one importance of personal selling. 4
Ans : 1. Two-Way Communication:
2. Personal Attention:
3. Detail Demonstration:
4. Immediate Feedback:
5. Individual Services:
6. Customer Confidence:
- 28 Explain (a)Radio Advertising and (b)Window Display as media of advertising. 4
Ans : (a)Radio Advertising: Radio advertising is very popular these days. The advertisements are broadcasted from different stations of All India Radio. Radio advertising can be explained as "word of mouth advertising on a wholesale scale". The advertising messages can be in different regional languages.
- (b) Window Display: It is a common method which is usually undertaken by retailers who display their products in the shop windows in order to attract the customers. This is also known as exterior display.

- 29 What is a 'Multinational Company'? Discuss any four features. 5
Ans : Global enterprises thus are huge industrial organisations which extend their industrial and marketing operations through a network of their branches in several countries.

Features

- (i) Huge capital resources
- (ii) Foreign collaboration
- (iii) Advanced technology

- 30 Explain (a) Fixed Capital Requirements and (b) Working Capital Requirements in detail. 5

Ans : a) Fixed capital requirements: In order to start business, funds are required to purchase fixed assets like land and building, plant and machinery, and furniture and fixtures. This is known as fixed capital requirements of the enterprise. The funds required in fixed assets remain invested in the business for a long period of time.

(b) Working Capital requirements: The financial requirements of an enterprise do not end with the procurement of fixed assets. No matter how small or large a business is, it needs funds for its day-to-day operations. This is known as working capital of an enterprise, which is used for holding current assets such as stock of material, bills receivables and for meeting current expenses like salaries, wages, taxes, and rent.

- 31 Explain the terms (a) Fax and (b) Videoconferencing 5

Ans : (a) Fax - Just as the conventional telephone carries voice, a fax or facsimile machine carries printed messages (words and pictures in photocopy form) from the sender instrument to the receiver instrument.

(b) Videoconferencing - refers to this method of conferencing but specifically to the use of video, meaning that you can both hear and see those with whom you're having the conference.

- 32 Define 'purchase'. Explain 'hire purchase' and 'instalment payment'. 5
Ans : Purchase is the action of buying something.

Hire purchase (HP) is a type of borrowing. It is different from other types of borrowing because you don't own the goods until you have paid in full. Under an HP agreement, you hire the goods and then pay an agreed amount by installments.

An Instalment usually refers to either: A sum of money paid in small parts in a fixed period of time. A single payment within a staged payment plan of a loan or a hire purchase (installment plan).

- 33 What is 'Teleshopping'? State its four features. 5
Ans : Teleshopping means buying goods and services on telephone.

Features of Teleshopping

- (i) It gives a full demonstration of the working of the product along with a list of contact phone

numbers in every city. People who feel convinced of the utility of the demonstrated product contact the seller on telephone and place orders goods are delivered to buyers through courier or value payable post (V.P.P.).

(ii)The main advantage of teleshopping is convenience for the customer. The customer can purchase the product without visiting the seller. This saves valuable time, effort and money.

(iii)Customers can make payment through their credit cards. Asian sky shop, tele-brands are examples of companies which provide teleshopping facilities in India.Computer systems have made it easier by playing recorded messages and then record the information given by customers.

(iv)Teleshopping, however, does not offer the opportunity to the customer to examine the product before buying.

(v)Computerised systems used in teleshopping are expensive.

34 State differences between ‘Departmental Stores’ and ‘Multiple Shops’.

5

Ans : (i)**Location:** A departmental store is located at a central place, where a large number of customers can be attracted to it. However, the multiple stores are located at a number of places for approaching a large number of customers. Thus, central location is not necessary for a multiple shop.

(ii)**Range of products:** Departmental stores aim at satisfying all the needs of customers under one roof. As such, they have to carry a variety of products of different types. However, the multiple stores 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. Some of the services, provided by them include post office, restaurant and so on. As against this, 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 multiple shop chains sell goods at fixed prices and maintain uniform pricing policies for all the shops. The departmental stores, however, do not have uniform pricing policy for all the departments; rather they have to occasionally offer discounts on certain products and varieties to clear their stock.

(v)**Class of customers:** The departmental stores cater to the needs of relatively high income group of customers who care more for the services provided rather than the prices of the product. The multiple shops, on the other hand, cater to different types of customers, including those belonging to the lower income groups, who are interested in buying quality goods at reasonable prices.

(vi)**Credit facilities:** All sales in the multiple shops are made strictly on cash basis. In contrast, the departmental stores may provide credit facilities to some of their regular customers.

(vii)**Flexibility:** As the departmental stores deal in a wide variety of products, they have certain flexibility in respect of the line of goods marketed. However, there is not much scope for flexibility in the chain stores, which deal only in limited line of products.

35 What do you mean by ‘Advertising’? Discuss any two of its importance.

5

Ans : Advertising can also be defined as the way of capturing public attention through paid messages or information which helps promote or sell a product, service or brand.

Importance of Advertising

- (1)Product
- (2)Retain the existing customers
- (3)Brand Promotion
- (4)Educates people
- (5)Comparison

36 Explain (a)Equity Shares and (b)Debentures as sources of business finance.

5

Ans : (a)Equity Shares- Equity shares is the most important source of raising long term capital by a company. 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. Equity share capital is a prerequisite to the creation of a company. Equity shareholders do not get a fixed dividend but are paid on the basis of earnings by the company. They are referred to as 'residual owners' since they receive what is left after all other claims on the company's income and assets have been settled. They enjoy the reward as well as bear the risk of ownership.

(b) Debentures - Debentures are an important instrument for raising long term debt capital. A company can raise funds through issue of debentures, which bear a fixed rate of interest. The debenture issued by a company is an acknowledgment that the company has borrowed a certain amount of money, which it promises to repay at a future date. Debenture holders are, therefore, termed as creditors of the company. Debenture holders are paid a fixed stated amount of interest at specified intervals say six months or one year.

End of the Question Paper