



**INDIAN SCHOOL MUSCAT  
HALF YEARLY EXAMINATION  
ELEMENTS OF BUSINESS (154)**

CLASS: X

Max. Marks: 70

**MARKING SCHEME**

SET	QN. NO	VALUE POINTS	MAR KS SPLIT UP
1		(d) Unlimited	1
2		(b) a member of the company	1
3		(b) President	1
4		(d) Multi-National Companies	1
5		(d) Company	1
6		(a) Medium Term	1
7		(b) Internal Funds	1
8		c) Public Deposits	1
9		(a) Interest	1
10		(d) Shares	1
11		(a) Commercial Banks	1
12		(a) Non-Verbal Communication	1
13		(b) fax	1
14		(c) Grapevine	1
15		(d) Sender	1

- 16 (a) Written 1
- 17 The three features of a company mentioned in the case are : 3
- (a) Formation – He has got his unit registered under Companies Act, 2013.
- (b) Separate Legal Entity -From the day of its registration, it acquired an identity separate from its members.
- (c) Control - The Board of directors of the company appointed top officials for running the business.
- 18 Two differences between Private Limited Company and Public Limited Company. 3

Basis	Private Limited Company	Public Limited Company
No. of members	Minimum-2, maximum-50 or (200 as per Companies Act 2013)	Minimum-7, maximum-unlimited.
Prospectus	No need to issue a prospectus.	Needs to issue prospectus as public is invited to subscribe to the shares.

OR

#### Private Company (Features)

A private company means a company which:

- (a) Restricts the right of members to transfer its shares;
- (b) Has a minimum of 2 and a maximum of 50 members;
- (c) Does not invite public to subscribe to its share capital; and
- (d) Must have a minimum paid up capital of ₹ 1 lakh or such higher amount which may be prescribed/ given from time-to-time. (Any three)

- 19 The preference shareholders enjoy a preferential position over equity shareholders in two ways: 3
- (i) Receiving a fixed rate of dividend, out of the net profits of the company, before any dividend is declared for equity shareholders; and
  - (ii) Receiving their capital after the claims of the company's creditors have been settled, at the time of liquidation.

OR

## Two differences between Owned Fund and Borrowed Fund

Basis	Owned Fund	Borrowed Fund
<i>Meaning</i>	Owned Capital refers to the Capital collected by issuing various types of shares.	Borrowed capital refer to The capital collected by issuing debentures, bonds, taking loans from banks. etc.
<i>Status</i>	It is ownership or owned capital.	It is debt or borrowed capital.

20 Trade Credit 3

Two merits of Trade credit are:

- (i) Trade credit is a convenient and continuous source of funds;
- (ii) Trade credit is needed to promote the sales of an organisation;

21 Communication is the transfer of information from the sender to the receiver with the information being understood by the receiver. 3

The different types of communication are:

Verbal, Non Verbal, Visual and Written

22 Ans: The differences between Formal and Informal Communication are: 3

Basis	Formal Communication	Informal Communication
Flow	Flows through official channels designed in the organisation chart.	Spreads throughout the organisation with its branches going out in all directions.
Speed	Takes time as it has to follow specific path	Messages travel faster

23 Public Company (Features) 4

A public company means a company which is not a private company. As per the Indian Companies Act, a public company is one which:

- (a) Has a minimum paid-up capital of ₹ 5 lakhs or a higher amount which may be prescribed from time-to-time;
- (b) Has a minimum of 7 members and no limit on maximum members;
- (c) Has no restriction on transfer of shares; and
- (d) Is not prohibited from inviting the public to subscribe to its share capital or public deposits. A private company which is a subsidiary of a public company is also treated as a public company.

24 A portion of the net earnings may be retained in the business for use in the future. 4  
This is known as retained earnings.  
Merits of Retained Earnings:  
(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;

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.

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

- (i) Investors who want steady income may not prefer equity shares as equity shares get fluctuating returns;
  - (ii) The cost of equity shares is generally more as compared to the cost of raising funds through other sources;
  - (iii) Issue of additional equity shares dilutes the voting power, and earnings of existing equity shareholders.
- (Any two)

25 Four sources of finance available to Manan as a Sole Proprietor are: 4  
(i) 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.  
  
(ii) 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.  
  
(iii) 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.  
  
(iv) 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.

- 26 Importance of Communication for Business Organisations. 4
- (a) Acts as a basis of coordination
  - (b) Acts as a basis of decision making
  - (c) Increase managerial efficiency
  - (d) Promotes cooperation and industrial peace
  - (e) Establishes effective leadership
  - (f) Boosts morale and provides motivation (Explain any four points)

OR

(a) The first kind is **Oral/ Verbal 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.

(b) The third 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.

- 27 Multinationals are huge industrial organisations which extend their industrial and marketing operations through a network of their branches in several countries. 5
- Features of Multinationals :
- (i) Huge capital resources
  - (ii) Foreign collaboration
  - (iii) Advanced technology
  - (iv) Product innovation
  - (v) Marketing strategies
  - (vi) Expansion of market territory
  - (vii) Centralised Control (Explain any four)

- 28 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 5

partly by one or more state governments.

From the above definition, it is clear that

The three features of a government company are:

- (i) The government exercises control over the paid up share capital of the company.
- (ii) The shares of the company are purchased in the name of the President of India.
- (iii) Since the government is the major shareholder and exercises control over the management of these companies, they are known as government companies.

OR

Steps in Formation of a Company

- (i) Promotion- This is the stage where an idea generates and it is put into practice.
- (ii) Incorporation-In this stage a company is registered with the registrar of the company. A private company can start after its registration.
- (iii) Capital subscription- A public company invites the public to subscribe for its shares.
- (iv) Commencement- A public company starts its operations after it gets a certificate of commencement from the registrar.

29 (a) Fixed Capital Requirement and Working Capital Requirement. 5

(b) 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.

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.

30 The formal communication flows through official channels designed in the organisation chart. 5

Formal /Official Communication can be further classified as:-

(a) Vertical communication - It flows vertically upwards or downwards through the formal channels.

\* Upward Communication- Flow of communication from subordinate to superior.

Eg. Application for leave, submission of progress report, request for grants etc.

\* Downward Communication- Flow of communication from superiors to subordinates.

Eg. sending notice to employees to attend a meeting, ordering subordinates to complete an assigned work, passing on guidelines framed by top management to the subordinates etc.

(b) Horizontal / Lateral communication - Communication that takes place between different divisions or departments.

OR

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.

Advantages of Fax

- (i) They don't need internet connection to send / receive faxes
- (ii) They don't come with monthly subscription fee
- (iii) They print received faxes (On the online fax solution, you need to have a printer to print important documents)

Disadvantages of Fax

- (i) They need constant maintenance
- (ii) They need a landline phone number
- (iii) They cannot be moved easily (Any two points each)