



# INDIAN SCHOOL MUSCAT FIRST TERM EXAMINATION



## BUSINESS STUDIES

SET C

CLASS: XI

Sub. Code: 054

Time Allotted: 3 Hrs

18.09.2018

Max. Marks: 90

### EXPECTED VALUE POINTS AND SCHEME OF EVALUATION

Q.NO.	Answers	Marks
1	In the name of President of India.	1
2	No, he cannot claim the compensation as he has violated the principle of Utmost good faith.	1
3	The activities which are performed out of love, sentiments, patriotism etc. are known a non-economic activities.	1
4	Sole Proprietorship.	1
5	Atomic energy, railways and arms.	1
6	Employment.	1
7	Fixed Deposit Account.	1
8	Cooperative Housing societies.	1
9	Company is an artificial person, but its rights, liabilities and functions are like a natural person. It can sign a contract, can sue and be sued by others, can borrow money, own a property in its name but it cannot eat, drink, run, talk and so on. It is therefore called an artificial person. Company's existence is not affected by death of its members, as it is created by law. Members may come and go but company continues to exist.	3 (1x3 points)
10	Yes, I agree with the statement that Profit is not an objective but a requirement of business. A business must earn profit because of the following reasons: (i) For long term survival (ii) For rapid growth (iii) Increases the efficiency of business (iv) For building reputation and recognition. (explain any 3)	3 (1x3)
11	An unregistered firm deprives the firm and partners from a number of benefits.  Consequences of non-registration of a firm:  (a) A partner of an unregistered firm cannot file a suit against the firm or	3 (1x3)

- other partners,
- (b) The firm cannot file a suit against third parties, and
- (c) The firm cannot file a case against the partners.
- 12 (i) In order to prevent companies from commencing business with inadequate resources, it has been provided that the company must receive applications for a certain minimum number of shares before going ahead with the allotment of shares. According to the Companies Act, this is called the 'minimum subscription'.  
(ii) Preliminary Contracts: Contracts signed by promoters with third parties before the incorporation of company.  
(iii) To ensure that the directors have some stake in the proposed company, the Articles usually have a provision requiring them to buy a certain number of shares. They have to pay for these shares before the company obtains Certificate of Commencement of Business. These are called Qualification Shares. 3  
(1x3)
- 13 (a) Insurable interest 3  
(1x3)  
(b) Proximate cause  
(c) Mitigation.
- 14 (i) Formation: For a joint Hindu family business, there should be at least two members in the family and ancestral 3  
(1x3)  
(ii) Liability: The liability of all members except the karta is limited to their share of co-parcenary property of the business. The karta, however, has unlimited liability.  
(iii) Control: The control of the family business lies with the karta. He takes all the decisions and is authorized to manage the business. His decisions are binding on the other members.  
(iv) Continuity: The business continues even after the death of the karta as the next eldest member takes up the position of karta, leaving the business stable. The business can, however, be terminated with the mutual consent of the members.  
(v) Minor Members: The inclusion of an individual into the business occurs due to birth in a Hindu Undivided Family. Hence, minors can also be members of the business. (any 3)
- 15 Improvement of performance through a MoU (Memorandum of Understanding) system by which managements are to be granted greater autonomy but held accountable for specified results. The MoU was between the particular public sector unit and their administrative ministries defining their relationship and autonomy. 3  
(1x3 points)
- 16 (i) A government company can be established by fulfilling the requirements of the Indian Companies Act. 4  
(1x4)  
(ii) It has a separate legal entity, apart from the Government;  
(iii) It enjoys autonomy in all management decisions and takes actions according to business prudence;

- (iv) These companies by providing goods and services at reasonable prices are able to control the market and curb unhealthy business practices.
- 17 (i) Farmer- Business, Primary Industry. 4  
(ii) Owner of a cotton Textile Industry- Business, Secondary Industry. (1x4)  
(iii) Peon- Employment, Secondary Industry.  
(iv) Advertisement agency- Profession, Tertiary Industry.
- 18 (i) Acceptance of deposits: Deposits are the basis of the loan operations since banks are both borrowers and lenders of money. 4  
(1x4)
- (ii) Lending of funds: Second major activity of commercial banks is to provide loans and advances out of the money received through deposits.
- (iii) Cheque facility: Banks render a very important service to their customers by collecting their cheques drawn on other banks.
- (iv) Remittance of funds: Another salient function of commercial banks is of providing the facility of fund transfer from one place to another, on account of the interconnectivity of branches.
- (v) Allied services: In addition to above functions, banks also provide allied services such as bill payments, locker facilities, underwriting services. They also perform other services like buying and selling of shares and debentures on instructions and other personal services like payment of insurance premium, collection of dividend etc. (any 4)
- 19 (i) Whole Life Policy: In this kind of policy, the amount payable to the insured will not be paid before the death of the assured. The sum then becomes payable only to the beneficiaries or heir of the deceased. 5  
(1x5)
- (ii) Endowment Life Assurance Policy: The insurer (Insurance Company) undertakes to pay a specified sum when the insured attains a particular age or on his death whichever is earlier. The sum is payable to his legal heir/s or nominee named therein in case of death of the assured
- (iii) Joint Life Policy: This policy is taken up by two or more persons. The premium is paid jointly or by either of them in installments or lump sum. The assured sum or policy money is payable upon the death of any one person to the other survivor or survivors.
- (iv) Annuity Policy: Under this policy, the assured sum or policy money is payable after the assured attains a certain age in monthly, quarterly, half yearly or annual installments. The premium is paid in installments over a certain period or single premium may be paid by the assured.
- (v) Children's Endowment Policy: This policy is taken by a person for his/her children to meet the expenses of their education or marriage. The

agreement states that a certain sum will be paid by the insurer when the children attain a particular age.

- 20 A promoter is said to be the one who undertakes to form a company with reference to a given project and to set it going and who takes the necessary steps to accomplish that purpose. 5  
(1x5)

Functions of a promoter:

- (i) Identification of business opportunity
- (ii) Feasibility studies: (a) Technical feasibility (b) Financial feasibility (c) Economic feasibility
- (iii) Name approval
- (iv) Fixing up Signatories to the Memorandum of Association
- (v) Appointment of professionals
- (vi) Preparation of necessary documents. (explain any 5)

- 21 The term 'business risks' refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events. 5  
(1+1x4)

(i) Business risks arise due to uncertainties:

Uncertainty refers to the lack of knowledge about what is going to happen in the future. E.g. Natural calamities, change in demand and prices, changes in government policy, improvement in technology, etc.,

(ii) Risk is an essential part of every business:

Every business has some risk. No business can avoid risk, although the amount of risk may vary from business to business. Risk can be minimised but cannot be eliminated.

(iii) Degree of risk depends mainly upon the nature and size of business:

Nature of business: Type of goods and services produced and sold and size of business (volume) are the main factors which determine the amount of risk in a business. For example, a business dealing in fashionable items has a high degree of risk.

(iv) Profit is the reward for risk taking:

Greater the risk involved in a business, higher is the chance of profit. An entrepreneur undertakes risks under the expectation of higher profit. Profit is thus the reward for risk taking.

- 22 Memorandum of Association is the most important document as it defines the objectives of the company. 5  
(1+1x4)

Clauses of Memorandum of Association are:

(a) The Name clause. Under this clause, the corporate name of the company is stated.

- (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.
- 23      (i) The funding of these enterprises come directly from the Government Treasury and are an annual appropriation from the budget of the Government. The revenue earned by these is also paid into the treasury;      5  
(1x5)
- (ii) They are subject to accounting and audit controls applicable to other Government activities;
- (iii) The employees of the enterprise are Government servants and their recruitment and conditions of service are the same as that of other employees directly under the Government.
- (iv) It is generally considered to be a major subdivision of the Government department and is subject to direct control of the ministry;
- (v) They are accountable to the ministry since their management is directly.
- 24      To manage a business is to balance a variety of needs and goals and this requires multiple objectives.      6  
(1+1x5)
- a. Market standing
- b. Innovation
- c. Productivity
- d. Earning profit
- e. Optimum utilization of resources
- f. Workers performance and attitude
- g. Social responsibility. (explain)
- 25      (i) Consumer's cooperative societies      6  
(ii) Producer's cooperative societies

- (iii) Marketing cooperative societies
- (iv) Farmer's cooperative societies
- (v) Credit cooperative societies
- (vi) Cooperative housing societies. (explain) (1x6)

- 26 The various types of telecom services are: 6  
(1x6)
- (i) Cellular mobile services: These are all types of mobile telecom services including voice and non-voice messages, data services and PCO services utilising any type of network equipment within their service area.
  - (ii) Radio paging services: Radio Paging Service is an affordable means of transmitting information to persons even when they are mobile. It is one-way information broadcasting solution, and has spread its reach far and wide.
  - (iii) Fixed line services: These are all types of fixed services including voice and non-voice messages and data services to establish linkages for long distance traffic.
  - (iv) Cable services: These are linkages and switched services within a licensed area of operation to operate media services, which are essentially one way entertainment related services. The two way communication including voice, data and information services through cable network would emerge significantly in the future.
  - (v) VSAT services: VSAT (Very Small Aperture Terminal) is a satellite-based communications service. It offers businesses and government agencies a highly flexible and reliable communication solution in both urban and rural areas.
  - vi) DTH services: DTH (Direct to Home) is again a satellite based media services provided by cellular companies. One can receive media services directly through a satellite with the help of a small dish antenna and a set top box.
- 27 (i) Increased resources and capacity 6  
(ii) Access to new markets and distribution networks (1x6)  
(iii) Access to technology  
(iv) Innovation  
(v) Low cost of production  
(vi) Established brand name. (explain)

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