

**INDIAN SCHOOL MUSCAT****SECOND PRE-BOARD EXAMINATION****APRIL 2021****SET A****CLASS X****Marking Scheme – ELEMENTS OF BUSINESS**

| Q.NO. | Answers   | Marks<br>(with split<br>up) |
|-------|---|-----------------------------|
| 1.    | Loan capital of the company   | 1                           |
| 2.    | Working capital   | 1                           |
| 3.    | Retained earnings   | 1                           |
| 4.    | Have no voting rights   | 1                           |
| 5.    | Encoding  | 1                           |
| 6.    | Informal communication  | 1                           |
| 7.    | Face to face communication/ Nonverbal communication   | 1                           |
| 8.    | Rebate/ Sales promotion   | 1                           |
| 9.    | Personal selling / Quantity gift  | 1                           |
| 10.   | Automatic Vending Machines  | 1                           |
| 11.   | Departmental store  | 1                           |
| 12.   | Multiple shops  | 1                           |
| 13.   | Quotation   | 1                           |
| 14.   | Credit note   | 1                           |
| 15.   | Purchase by sample  | 1                           |
| 16.   | Preference shares   | 1                           |
| 17.   | Features of Multiple shops<br>(a) These shops are located in fairly populous localities.<br>(b) All the purchases of retail units is centralized at the head office, from where the goods are dispatched to each of these shops<br>(c) Each retail shop is supervised by a Branch Manager, who sends daily reports to the head office in respect of the sales, cash deposits, and the requirements of the stock;<br>(d) All the branches are controlled by the head office<br>(e) The prices of goods in such shops are fixed and all sales are made on cash basis.<br>(f) The head office normally appoints inspectors, who supervise the shops. | 3                           |
| 18.   | (i) Quotation<br>A quotation allows a prospective buyer to see what costs would be involved for the intended purchases. Many businesses provide services that cannot have an upfront price, as the costs involved can vary.   | 3                           |

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|     | <p>(ii) Invoice</p> <p>An invoice is a commercial document issued by a seller to a buyer, relating to a sale transaction. It shows the type of product, quantities, and agreed prices on which the seller had provided the buyer.</p> <p>(iii) Debit note</p> <p>Debit note is a commercial document issued by the buyer to a seller's invoice in order to adjust the amount. Debit note is a document used by a vendor to inform buyer about their current debt obligation.</p> <p style="text-align: center;">OR</p> <p>Advantages of making Digital Payment are:</p> <p>(i) Easy and convenient: Digital payments are easy and convenient. You do not need to take a lot of cash with you. All you need is your mobile phone or Aadhaar number or a card to pay.</p> <p>(ii) Pay or send money from anywhere: With digital payment modes, you can pay from anywhere anytime.</p> <p>(iii) Discounts from taxes: Government has announced many discounts to encourage digital payments.</p> <p>(iv) Written record: These are automatically recorded in your passbook or inside your-Wallet app. This helps to maintain your record and track your spending.</p> <p>(v) Less Risk: Digital payments have less risk if you use them wisely. If you lose your mobile phone or debit/credit card or Aadhar card you don't have to worry a lot. No one can use your money without PIN or your fingerprint in the case of Aadhar.</p> |   |
| 19. | <p>Media of Advertising</p> <p>(1) Direct Mail:<br/>This is one of the oldest types of advertising media. Under this method message is sent to the prospective buyers by post. A mailing list is prepared for this purpose. Circular letters, folders, calendars, booklets and catalogues are sent under this type of advertising. In the sales letter an appeal is made to the buyers separately.</p> <p>(2) Newspapers and Magazines:<br/>These are the important forms of press advertising, newspapers are the most effective and powerful medium of advertising. Newspapers contain valuable information with regard to different current events.</p>   | 3 |

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|     | <p>(3) Radio Advertising:<br/>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”.</p> <p>(4) Television Advertising:<br/>This is the latest and the fast developing medium of advertising and is getting increased popularity these days. It is more effective as compared to radio as it has the advantages of sound and sight.</p> <p>(5) Film Advertising:<br/>This is also known as cinema advertising. This also provides sight and hearing facilities like television. Short advertisement films are prepared by big business houses which are sent to different cinema houses to be shown to the audience before the regular shows or during the intermission.</p> <p>(6) Window Display:<br/>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.</p>  |   |
| 20. | <p>Advantages of e-mail</p> <ol style="list-style-type: none"> <li>1. E mail can be sent at any time and from any place. The email can be read, stored and answered instantly.</li> <li>2. It is very quick. It can be sent and received in a matter of seconds.</li> <li>3. No system is as cheap as email, it is an inexpensive communication method.</li> <li>4. Every business emails contain a subject line which makes it very easy to know the mail beforehand.</li> <li>5. Emails provides a form of security so that the messages can only be sent to the other concerning the organization.</li> <li>6. Attachments can also be made to an e-mail.</li> <li>7. It can be forwarded to others as well without any amount of paperwork being involved.</li> </ol> <p style="text-align: center;">OR</p> <p>Importance of Communication</p> <ol style="list-style-type: none"> <li>1. It helps in coordination of various groups and departments in an organization.</li> <li>2. It helps in the smooth functioning of an enterprise.</li> <li>3. Communication provides needed information for decision making.</li> <li>4. Communication promotes cooperation and understanding between management and workers.</li> <li>5. Communication is the basis of leadership.</li> </ol> | 3 |

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| 21. | <p>Features of a Joint Stock Company</p> <ol style="list-style-type: none"> <li>Artificial person-<br/>A company is a creation of law and exists independent of its members. Like natural persons, a company can own property, borrow money and also enter into contracts.</li> <li>Separate legal entity-<br/>A company's identity is distinct from its members.<br/>The law does not recognize the business and owners to be one. Its assets and liabilities are separate from its owners</li> <li>Perpetual succession-<br/>A company can be brought to an end only by law. It comes to an end only when a special procedure for its closure called winding up is completed.</li> </ol> | 3 |
| 22. | <p>Equity Shares</p> <p>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 shareholders do not get a fixed dividend but are paid on the basis of earnings by the company.</p> <p>Merit</p> <ol style="list-style-type: none"> <li>Equity capital serves as permanent capital as it is to be repaid only at the time of winding up of a company.</li> <li>It is suitable for investors who are willing to assume risk for higher returns.</li> <li>There is no burden on the company for payment of dividend in case of loss.</li> </ol>   | 3 |
| 23. | <p>Formal /Official Communication</p> <p>The formal communication flows through official channels designed in the organization chart. It take place between a superior and subordinate or among employees or managers at the same level. It can be made by emails, letterheads, reports etc.</p> <p>Informal communication</p> <p>It is the non-official communication that happens spontaneously. It is also known as Grapevine communication because it spreads throughout the organization with its branches going out in all directions.</p>   | 4 |
| 24. | <p>Methods of Payment</p> <ol style="list-style-type: none"> <li>Cash – It is very convenient in the face-to-face environment. It is most useful for paying for purchases of small value. It's also a convenient way to pay for items quickly.</li> </ol>  | 4 |

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|     | <p>(ii) Cheques act 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 and pays in the cheque (the payee). Cheques can be useful for paying larger sums of money that you're unlikely to keep in cash. They may be used to pay businesses or trades people who don't necessarily have the equipment to take cards. Only a small proportion of online retailers accept cheques as a method of payment.</p> <p>(iii) 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 cash-back from certain shops.</p> <p>(iv) 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.</p>   |   |
| 25. | <p>Features of Mail Order Business</p> <p>Suitable for goods that can be</p> <ul style="list-style-type: none"> <li>(i) graded and standardized,</li> <li>(ii) easily transported at low cost,</li> <li>(iii) have ready demand in the market,</li> <li>(iv) are available in large quantity throughout the year,</li> <li>(v) involve least possible competition in the market</li> <li>(vi) can be described through pictures etc.</li> </ul> <p style="text-align: center;">OR</p> <p>Features of Departmental Stores</p> <ul style="list-style-type: none"> <li>(a) A modern departmental store may provide all facilities such as restaurant, travel and information bureau, telephone booth, restrooms, etc.</li> <li>(b) These stores are generally located at a central place in the heart of a city, which caters to a large number of customers.</li> <li>(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;</li> <li>(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</li> <li>(e) They have centralized purchasing arrangements. All the purchases in a department store are made centrally by the purchase department of the store, whereas sales are decentralized in different departments.</li> </ul> | 4 |

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| 26. | <p><b>Equity Shares</b><br/>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 shareholders do not get a fixed dividend but are paid on the basis of earnings by the company.</p> <p><b>Preference Shares</b><br/>The capital raised by issue of preference shares is called preference share capital. The preference shareholders enjoy two preferential rights over equity shareholders :</p> <p>(i) They receive a fixed rate of dividend, out of the net profits before it is declared for equity shareholders.</p> <p>(ii) They receive their capital after the claims of the company's creditors have been settled, at the time of liquidation.</p> <p><b>Retained Earnings</b><br/>A company generally does not distribute all its earnings amongst the shareholders as dividends. A portion of the net profit may be retained in the business for future use. This is known as retained earnings. It is a source of internal financing or self-financing or 'ploughing back of profits'.</p> | 4 |
| 27. | <p><b>Advantages of telephone</b></p> <ol style="list-style-type: none"> <li>1. You get immediate feedback to things you say</li> <li>2. Calls can be made 24 hours a day, 7 days a week.</li> <li>3. It removes the barrier of distance as communication is possible between persons in any part of the world.</li> <li>4. It is very easy and simple form of communication which requires no specialist equipment.</li> <li>5. It removes all the costs related to communication in-person.</li> <li>6. It is also a very secure mode of communication where privacy is guaranteed.</li> </ol>  | 5 |
| 28. | <p><b>The steps involved in selling procedure:-</b></p> <ol style="list-style-type: none"> <li>a) Enquiry from intending buyer</li> <li>b) Providing Quotation to the intending buyer</li> <li>c) Receipt of order from the buyer</li> <li>d) Execution of order and Invoicing</li> <li>e) Opening customer's account</li> <li>f) Dispatch of goods</li> <li>g) Delivery of goods to the buyer</li> <li>h) Receipt of payment and settlements of accounts.</li> </ol>   | 5 |

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| 29. | <p><u>ADVERTISING</u></p> <p>The American marketing association defines advertising as “any paid form of non-personal presentation and promotion of ideas, goods and services by an identified sponsor.”</p> <p>Importance of Advertising</p> <p>(i)Mass Reach<br/>Advertising is a medium through which a large number of people can be reached over a vast geographical area. For example, an advertisement message placed in a national daily reaches lakhs of its subscribers.</p> <p>(ii)Enhancing Customer Satisfaction and Confidence:<br/>Advertising creates confidence amongst prospective buyers as they feel more comfortable and assured about the product quality and hence feel more satisfied.</p> <p>(iii)Expressiveness:<br/>With the developments in art, computer designs, and graphics, advertising has developed into one of the most forceful medium of communication. With the special effects that can be created, even simple products and messages can look very attractive.</p> <p>(iv)Economy:<br/>Advertising is a very economical mode of communication if large number of people are to be reached. Because of its wide reach, the overall cost of advertising gets spread over numerous communication links established. As a result the per-unit cost of reach comes low.</p> <p style="text-align: center;">OR</p> <p><u>PERSONAL SELLING</u></p> <p>Meaning- It means selling products personally. It involves oral presentation of message in the form of conversation by the salesperson with the prospective customers for making sales.</p> <ol style="list-style-type: none"> <li>1. It is very effective promotional tool in influencing the prospective customers by informing the merits of the product.</li> <li>2. It is more flexible, as it helps salesmen in changing their offer, keeping in view the behavior of the customers.</li> <li>3. Compared to other tools of promotion, the possibility of wastage of efforts is minimum in personal selling.</li> <li>4. There is always a possibility of attracting consumer attention ending up in sale.</li> <li>5. Personal selling helps to develop lasting relationship between the sales persons and the customers.</li> </ol> | 5 |
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| 30. | <p>Differences between a private and a public company</p> <ol style="list-style-type: none"> <li>Number of members- min 2 for private and 7 for public</li> <li>Prospectus- not required for private and required for public</li> <li>Number of directors- 2 for private and 3 for public</li> <li>Transfer of shares – Not possible for private and possible for public</li> <li>Minimum paid up capital- 1 lakh for private and 5 lakh for public</li> </ol> <p style="text-align: center;">OR</p> <p>Features of MNC</p> <ol style="list-style-type: none"> <li>Huge capital</li> <li>Foreign collaboration</li> <li>Aggressive advertising</li> <li>Product innovation</li> <li>Advanced technology</li> <li>Centralized control</li> <li>Expansion of market territory</li> </ol> <p style="text-align: center;">(any five with explanation)</p> | 5 |
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