

**SET****A**

**INDIAN SCHOOL MUSCAT**  
**HALF YEARLY EXAMINATION 2022**  
**BUSINESS STUDIES (054)**

CLASS: XI

Max. Marks: 80

**MARKING SCHEME**

<b>SET</b>	<b>QN</b>	<b>VALUE POINTS</b>	<b>MARKS SPLIT UP</b>
A	1	d. Position of the enterprise	1
A	2	c. Responsibility towards owners.	1
A	3	b. Nominal partner	1
A	4	a. Government Company	1
A	5	₹2,00,000	1
A	6	b. Business Risks	1
A	7	d. Partnership firm	1
A	8	b. AEPS	1
A	9	a. At the time of taking policy.	1
A	10	a. Departmental Undertaking	1
A	11	d. All of the above	1
A	12	c. Traditional business is difficult to form	1
A	13	a. The President of India	1
A	14	b. Some Social Problems	1
A	15	c. Short term finance	1
A	16	c. Cadbury	1

A	17	d. B2C Commerce				1
A	18	c. Loan capital of the company				1
A	19	d. Ethics				1
A	20	a. Generated within the business				1
A	21	<b>S.N</b>	<b>Basis</b>	<b>Memorandum of association</b>	<b>Articles of association</b>	$\frac{1}{2}+\frac{1}{2}+\frac{1}{2}+\frac{1}{2}+\frac{1}{2}+\frac{1}{2}=3$
		a	Objective	For which the company is established.	How the objectives of the company are to be achieved.	
		b	Status	It is the principal document	It is a supplementary document	
		c	Relationship	It defines relationship of the company with outside world	It defines internal relationship between company and Member	
A	22	a. (i) Individual-Mrs. Jaspreet kaur (Customer), (ii) Business-Bank b. E-business (B2C commerce) c. Convenience, round the clock service, time saving				1+1+1=3
A	23	<b>S.N</b>	<b>Basis</b>	<b>Traditional Business</b>	<b>E-business</b>	$\frac{1}{2}+\frac{1}{2}+\frac{1}{2}+\frac{1}{2}+\frac{1}{2}+\frac{1}{2}=3$
		a	Formation	Difficult to form	Easy to form	
		b	Operating cost	High due to fixed charges	Low as a result of reliance on network of relationships	
		c	Physical presence	Necessary	Does not required	
A	24	<b>Elements of Business Ethics</b> <b>1. Top Management Commitment</b> <ul style="list-style-type: none"> <li>Top management plays a critical role in steering the entire organization toward morally sound behaviour.</li> <li>They must provide ongoing leadership in defining and upholding the organization's values.</li> </ul> <b>2. Publication of a 'Code'</b> <ul style="list-style-type: none"> <li>Define the principles of conduct for the entire organization in the form of written papers known as the "code."</li> <li>This includes topics such as basic honesty and obedience to regulations, product safety and quality, workplace health and safety, conflicts of interest, and employment practises, among others.</li> </ul> <b>3. Establishment of Compliance Mechanisms</b> <ul style="list-style-type: none"> <li>Appropriate measures should be implemented to guarantee that real decisions and actions correspond with the firm's ethical standards.</li> </ul> <b>4. Involving Employees at All Levels</b> <ul style="list-style-type: none"> <li>Because it is employees at all levels who execute the policies relating to ethics and make ethical business a reality.</li> <li>Hence, their participation in ethics programmes becomes essential.</li> </ul> <b>5. Measuring Results</b> <ul style="list-style-type: none"> <li>While it is difficult to accurately quantify the ultimate benefits of ethics programmes, organizations can audit to ensure that ethical</li> </ul>				1+1+1=3

		<p>standards are being followed.</p> <ul style="list-style-type: none"> <li>The results should then be discussed by the top management team and other staff to determine the next course of action. (Any Three)</li> </ul>	
A	25	<p>a. No, it is the social responsibility to ensure regular supply of its goods and service to consumers.</p> <p>b. Social responsibility towards consumer is ignored in above para.</p>	1+1+2=4
A	26	<p>a) The company's financial structure is strong, with more equity share capital than long-term debt in its capital structure and a large cash reserve.</p> <p>b) As the company has huge cash reserves with itself, it should use retained earnings, or the self-financing technique for the establishment of new unit. When a company earns profit, a certain amount or percentage of those profits is retained within the business for future use and this is known as retained earnings. When the business is financed through this source it is known as ploughing back of profit or internal financing. Retained earnings is a percentage of net earnings that is kept in the business for future usage.</p>	1+1+1+1=4
A	27	<p>Advantages of e-banking :</p> <p>(i) E-banking provides 24 hours, 365 days a year services to the customers of the bank.</p> <p>(ii) It lowers the transaction cost.</p> <p>(iii) It inculcates a sense of financial discipline and promotes transparency.</p> <p>(iv) It reduces the load on bank branches.</p>	1+1+1+1=4
A	28	<p>Public, Private Partnership</p> <p>Features:</p> <ul style="list-style-type: none"> <li>PPP is suitable for big project whose gestation period is very long.</li> <li>The purpose of PPP is to combine the skills, resources, experience of both the public and private sectors deliver better quality of services.</li> <li>In PPP both government and private enterprises share the revenue in the agreed ratio.</li> <li>The private enterprises contribute major part of capital. The government may provide a portion of capital or extend infrastructure for the project.</li> <li>It is an arrangement which facilitates partnership between governments on the one hand and private enterprises on the other.</li> </ul>	1+3=4
A	29	<p>Some of the popular advantages of a sole proprietorship are.</p> <ul style="list-style-type: none"> <li>Quick decision making– A sole proprietor has the freedom to make any decision. Therefore, the decision would be prompt as they don't have to take the permission of others.</li> <li>Confidentiality of information- Being only the owner of the business, it allows him/her to keep all the business information to be private and confidential.</li> <li>Direct incentive- A sole proprietor directly has the right to have all the profit or benefits of a company.</li> <li>Sense of accomplishment- He/she can have the personal satisfaction associated with working without any guidance or alone.</li> <li>Ease of formation and closure- A single proprietor can enter the business with minimum legal formalities. (Any four)</li> </ul>	1+1+1+1=4

A	30	<p>a. Praveen is suffering from the economic causes of business risk Economic causes are related to a chance of loss due to change in the market. There can be a change in the degree of competition. All these have a direct impact on the earnings of the business. Even change in Government policy affects the business a lot.</p> <p>b. Ajay is suffering from the human causes of business risk Human risks in business can arise from employees' failure to perform their essential duties in the workplace. Human risks can arise from factors employees can't control, like health issues, or intentional actions like theft or fraud. When a business faces human risks, it can experience a loss of profits.</p>	1+1+1+1=4
A	31	<p>Commerce maintains smooth flow of goods and services from producer to customers by removing all the hindrances related to people, place, time, finance and information.</p> <p><b>Auxiliaries to Trade</b> Auxiliaries to trade assists the buying and selling of the goods and services by removing the hindrances of place, people, time, finance, risk and information.</p> <ul style="list-style-type: none"> <li>• <b>Transportation:</b> It facilitates smooth flow of goods and services from the place of production to the place of consumption. Hence, it removes the hindrance of place. Example- Selling of mobile in Lucknow which is manufactured in Bangalore, tea produced in Assam, while cotton in Gujarat &amp; Maharashtra but they are transported for consumption in different parts of the country.</li> <li>• <b>Communication:</b> Effective and timely communication between the supplier, producer and consumers leads to successful trading. Thus, it removes the hindrance of information.</li> <li>• <b>Banking:</b> Banks and financial institutions help producers or traders in providing finance required them in the form of loans, trade credit, overdraft, etc and hence, removing the hindrance of finance.</li> <li>• <b>Warehousing:</b> Producers and traders cannot sell the entire goods produced and thus stock of goods is always maintained by the producers or traders. Warehousing provides the facility to store unsold goods and hence removing the hindrance of time.</li> <li>• <b>Insurance:</b> Insurance removes the hindrance of risk. It facilitates business to reduce the risk of damages due to fire, theft, natural calamities, etc.</li> <li>• <b>Advertising:</b> Advertising acts as a link between producers, traders and consumers. It brings awareness among consumers about the goods and services available. Hence, removing the hindrance of information.</li> </ul>	1+5=6
A	32	<ol style="list-style-type: none"> <li>1. <b>Active partner:</b> A partner who contributes capital and also actively participates in the management and affairs of the business is called an active partner. He shares the profits and losses of the business and his liability is unlimited.</li> <li>2. <b>Sleeping partner:</b> A partner who contributes capital but does not participate in the management and affairs of the business is called a sleeping partner. He shares the profits and losses of the business and has unlimited liability.</li> <li>3. <b>Secret partner:</b> A partner whose association with the firm is not known to the general public is called a secret partner. He also contributes capital, shares profits and losses, participates in the</li> </ol>	1+1+1+1+1+1=6

		<p>management of the business and has unlimited liability.</p> <p>4. <b>Nominal partner:</b> A partner allows the partnership firm to use his/her name but does not contribute any capital or take part in the management and affairs of the business. He does not share the profits and losses of the firm but he is liable to the creditors for the repayment of the firm's debts.</p> <p>5. <b>Partner by estoppel:</b> Partner by estoppel is a partner who, through his/her conduct or behaviour, gives an impression that he/she is a partner of a particular firm. Although such a person neither contributes capital nor participates in the management of the business, in the eyes of the third party he is known as a partner of that firm. Hence, he too is liable for the debts of the firms.</p> <p>6. <b>Partner by holding out:</b> A person, who is not actually a partner of a firm but knowingly allows himself/herself to be represented as a partner of the firm is called a partner by holding out. Such a person can be held liable for the repayment of debt extended to the firm due to such representation. In order to avoid this liability, such a person should immediately clarify his position to the third party, stating the fact that he is not a partner. Failure in clarifying the same would make him liable to the third party for repayment of any debts taken by the partnership firm.</p>	
A	33	<p><b>Principle of Indemnity:</b> This principle says that insurance is done only for the coverage of the loss; hence insured should not make any profit from the insurance contract. In other words, the insured should be compensated the amount equal to the actual loss and not the amount exceeding the loss. The purpose of the indemnity principle is to set back the insured at the same financial position as he was before the loss occurred. Principle of indemnity is observed strictly for property insurance and not applicable for the life insurance contract.</p> <p><b>Utmost good faith:</b> The fundamental principle is that both the parties in an insurance contract should act in good faith towards each other, i.e. they must provide clear and concise information related to the terms and conditions of the contract. The Insured should provide all the information related to the subject matter, and the insurer must give precise details regarding the contract.</p> <p><b>Principle of Mitigation:</b> This principle says that as an owner, it is obligatory on the part of the insurer to take necessary steps to minimise the loss to the insured property. The principle does not allow the owner to be irresponsible or negligent just because the subject matter is insured.</p>	2+2+2=6
A	34	<p><b>Advantages of Equity Share</b></p> <ol style="list-style-type: none"> <li>1. Equity capital is the building block of a company. It is the last thing added in the list of claims and it produces a cushion for creditors.</li> <li>2. Equity capital generates creditworthiness to the company and boosts up the confidence of various loan producers.</li> <li>3. Equity shares are preferred by investors who are willing to take larger risks.</li> <li>4. It is not compulsory to pay the dividend to the equity shareholders. So, the company will not face any burden for this.</li> <li>5. The funds are raised by equity issues without generating any charge on the assets of the company.</li> </ol>	6

		<p>6. The management of the company may be controlled by the equity shareholders by their voting rights.</p> <p><b>Disadvantages of Equity Shares</b></p> <ol style="list-style-type: none"> <li>1. Risk-averse investors with the preference of fixed income will not like equity shares.</li> <li>2. The cost of raising funds from other sources is lower than the cost of equity shares.</li> <li>3. The voting rights and earnings of existing equity shareholders are dismissed by the issue of the additional equity shares.</li> <li>4. Equity share is a time-consuming process as it involves various formalities and administrative delays</li> </ol> <p><b>Advantages of Preference Share</b></p> <ol style="list-style-type: none"> <li>1. It does not influence the control of equity shareholders over the management.</li> <li>2. There may be a hike in dividend for the equity shareholders in the good time.</li> <li>3. The income of the shareholders is steady and fixed.</li> <li>4. They have a preferential power of repayment over the equity shareholders.</li> <li>5. Any sort of charge against the assets of a company is not created by the preference capital.</li> </ol> <p><b>Disadvantages of Preference Share</b></p> <ul style="list-style-type: none"> <li>• The amount dividend is higher than the rate of interest on debentures.</li> <li>• The dividend on these shares is regulated by the revenue of the company.</li> <li>• Risk lovers will not prefer this kind of share.</li> <li>• Claims of equity shareholders diluted by the preference capital.</li> <li>• It is not possible to deduct the dividend paid from the profits as an expense.</li> </ul>	
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**SET****B**

**INDIAN SCHOOL MUSCAT**  
**HALF YEARLY EXAMINATION 2022**  
**BUSINESS STUDIES (054)**

CLASS: XI

Max. Marks: 80

MARKING SCHEME			
SET	QN	VALUE POINTS	MARKS SPLIT UP
B	1	c. Responsibility towards owners.	1
B	2	d. Position of the enterprise	1
B	3	c. ₹4,00,000.	1
B	4	a. Government Company	1
B	5	b. Nominal partner	1
B	6	b. Business Risks	1
B	7	c. Company	1
B	8	d. AEPS	1
B	9	c. At the time of taking and at the time of loss	1
B	10	c. Departmental Undertaking	1
B	11	a. Buying and selling of products and services	1
B	12	c. Traditional business is difficult to form	1
B	13	a. The President of India	1
B	14	b. Some Social Problems	1
B	15	b. Short term finance	1
B	16	e. All of these	1

B	17	d. B2C Commerce	1																
B	18	c. Loan capital of the company	1																
B	19	d. Ethics	1																
B	20	a. Generated within the business	1																
B	21	(a) Promoter. (b) No, the selected name of the company is not accepted. Reason is name of the company should not be identical or similar or too close resembling the name of existing company. In this case name is too closely resembling the name of existing company Nike.	1+2=3																
B	22	a. (i) Individual-Mrs. Jaspreet kaur (Customer), (ii) Business-Bank b. E-business (B2C commerce) c. Convenience, round the clock service, time saving	1+1+1=3																
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B	26	<p>a) The company's financial structure is strong, with more equity share capital than long-term debt in its capital structure and a large cash reserve.</p> <p>b) As the company has huge cash reserves with itself, it should use retained earnings, or the self-financing technique for the establishment of new unit. When a company earns profit, a certain amount or percentage of those profits is retained within the business for future use and this is known as retained earnings. When the business is financed through this source it is known as ploughing back of profit or internal financing. Retained earnings is a percentage of net earnings that is kept in the business for future usage.</p>	1+1+1+1=4
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B	30	<p>a. Praveen is suffering from the economic causes of business risk</p> <p>Economic causes are related to a chance of loss due to change in the market. There can be a change in the degree of competition. All these have a direct impact on the earnings of the business. Even change in Government policy affects the business a lot.</p>	1+1+1+1=4

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B	31	<p>Commerce maintains smooth flow of goods and services from producer to customers by removing all the hindrances related to people, place, time, finance and information.</p> <p><b>Auxiliaries to Trade</b></p> <p>Auxiliaries to trade assists the buying and selling of the goods and services by removing the hindrances of place, people, time, finance, risk and information.</p> <ul style="list-style-type: none"> <li>• <b>Transportation:</b> It facilitates smooth flow of goods and services from the place of production to the place of consumption. Hence, it removes the hindrance of place. Example- Selling of mobile in Lucknow which is manufactured in Bangalore, tea produced in Assam, while cotton in Gujarat &amp; Maharashtra but they are transported for consumption in different parts of the country.</li> <li>• <b>Communication:</b> Effective and timely communication between the supplier, producer and consumers leads to successful trading. Thus, it removes the hindrance of information.</li> <li>• <b>Banking:</b> Banks and financial institutions help producers or traders in providing finance required them in the form of loans, trade credit, overdraft, etc and hence, removing the hindrance of finance.</li> <li>• <b>Warehousing:</b> Producers and traders cannot sell the entire goods produced and thus the producers or traders always maintain stock of goods. Warehousing provides the facility to store unsold goods and hence removing the hindrance of time.</li> <li>• <b>Insurance:</b> Insurance removes the hindrance of risk. It facilitates business to reduce the risk of damages due to fire, theft, natural calamities, etc.</li> <li>• <b>Advertising:</b> Advertising acts as a link between producers, traders and consumers. It brings awareness among consumers about the goods and services available. Hence, removing the hindrance of information.</li> </ul>	1+5=6
B	32	<ol style="list-style-type: none"> <li>1. <b>Active partner:</b> A partner who contributes capital and also actively participates in the management and affairs of the business is called an active partner. He shares the profits and losses of the business and his liability is unlimited.</li> <li>2. <b>Sleeping partner:</b> A partner who contributes capital but does not participate in the management and affairs of the business is called a sleeping partner. He shares the profits and losses of the business and has unlimited liability.</li> <li>3. <b>Secret partner:</b> A partner whose association with the firm is not known to the general public is called a secret partner. He also contributes capital, shares profits and losses, participates in the management of the business and has unlimited liability.</li> <li>4. <b>Nominal partner:</b> A partner allows the partnership firm to use his/her name but does not contribute any capital or take part in the management and affairs of the business. He does not share the</li> </ol>	1+1+1+1+1+1=6

		<p>profits and losses of the firm but he is liable to the creditors for the repayment of the firm's debts.</p> <p>5. <b>Partner by estoppel:</b> Partner by estoppel is a partner who, through his/her conduct or behaviour, gives an impression that he/she is a partner of a particular firm. Although such a person neither contributes capital nor participates in the management of the business, in the eyes of the third party he is known as a partner of that firm. Hence, he too is liable for the debts of the firms.</p> <p>6. <b>Partner by holding out:</b> A person, who is not actually a partner of a firm but knowingly allows himself/herself to be represented as a partner of the firm is called a partner by holding out. Such a person can be held liable for the repayment of debt extended to the firm due to such representation. In order to avoid this liability, such a person should immediately clarify his position to the third party, stating the fact that he is not a partner. Failure in clarifying the same would make him liable to the third party for repayment of any debts taken by the partnership firm.</p>	
B	33	<p><b>Principle of Insurable Interest</b> According to this principle, you must have an insurable interest in the life that is insured. That is, you will suffer financially if the insured dies. You cannot buy a life insurance policy for a person on whom you have no insurable interest.</p> <p><b>Principle of Proximate Cause</b> While calculating the claim for a loss, the proximate cause, i.e., the cause which is the closest and the main reason for a loss should be considered. Though it is a vital factor in all types of insurance, this principle is not used in Life insurance.</p> <p><b>Principle of Subrogation</b> This principle comes into play when a loss has occurred due to some other person/party and not the insured. In such a case, the insurance company has a legal right to reach that party for recovery.</p>	2+2+2=6
B	34	<p><b>Advantages of Equity Share</b></p> <ol style="list-style-type: none"> <li>1. Equity capital is the building block of a company. It is the last thing added in the list of claims and it produces a cushion for creditors.</li> <li>2. Equity capital generates creditworthiness to the company and boosts up the confidence of various loan producers.</li> <li>3. Investors who are willing to take larger risks prefer equity shares.</li> <li>4. It is not compulsory to pay the dividend to the equity shareholders. So, the company will not face any burden for this.</li> <li>5. Equity issues raise the funds without generating any charge on the assets of the company.</li> <li>6. The equity shareholders may control the management of the company by their voting rights.</li> </ol> <p><b>Disadvantages of Equity Shares</b></p> <ol style="list-style-type: none"> <li>1. Risk-averse investors with the preference of fixed income will not like equity shares.</li> <li>2. The cost of raising funds from other sources is lower than the cost of equity shares.</li> <li>3. The issue of the additional equity shares dismisses the voting rights and earnings of existing equity shareholders.</li> <li>4. Equity share is a time-consuming process as it involves various</li> </ol>	6

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**SET****C**

**INDIAN SCHOOL MUSCAT**  
**HALF YEARLY EXAMINATION 2022**  
**BUSINESS STUDIES (054)**

CLASS: XI

Max. Marks: 80

**MARKING SCHEME**

<b>SET</b>	<b>QN</b>	<b>VALUE POINTS</b>	<b>MARKS SPLIT UP</b>
C	1	d. Community	1
C	2	d. Position of the enterprise	1
C	3	₹3,00,000	1
C	4	c. Government Company	1
C	5	b. Nominal partner	1
C	6	b. Business Risks	1
C	7	d. Partnership firm	1
C	8	c. Departmental Undertaking	1
C	9	d. Central bank	1
C	10	b. AEPS	1
C	11	a. Firm's interactions with other businesses	1
C	12	c. Traditional business is difficult to form	1
C	13	b. Public Corporation	1
C	14	a. Short term finance	1
C	15	b. Some Social Problems	1
C	16	c. Departmental Undertakings	1

C	17	d. B2C Commerce					1	
C	18	c. Loan capital of the company					1	
C	19	a. Low Personal Touch					1	
C	20	a. Generated within the business					1	
C	21	a. (i) Individual-Mrs. Jaspreet kaur (Customer), (ii) Business-Bank b. E-business (B2C commerce) c. Convenience, round the clock service, time saving					1+1+1=3	
C	22	(a) Promoter. (b) No, the selected name of the company is not accepted. Reason is name of the company should not be identical or similar or too close resembling the name of existing company. In this case name is too closely resembling the name of existing company Nike.					1+2=3	
C	23		S.N	Basis	Traditional Business	E-business		$\frac{1}{2}+\frac{1}{2}+\frac{1}{2}+\frac{1}{2}+\frac{1}{2}+\frac{1}{2}=3$
			a	Global reach	Less	High		
			b	Location	Nearness to source of raw materials or markets.	None		
			c	Type of staff required	Semi-skilled	High Skilled		
C	24	<b>Elements of Business Ethics</b> <b>1. Top Management Commitment</b> <ul style="list-style-type: none"><li>Top management plays a critical role in steering the entire organization toward morally sound behaviour.</li><li>They must provide ongoing leadership in defining and upholding the organization's values.</li></ul> <b>2. Publication of a ‘Code’</b> <ul style="list-style-type: none"><li>Define the principles of conduct for the entire organization in the form of written papers known as the "code."</li><li>This includes topics such as basic honesty and obedience to regulations, product safety and quality, workplace health and safety, conflicts of interest, and employment practises, among others.</li></ul> <b>3. Establishment of Compliance Mechanisms</b> <ul style="list-style-type: none"><li>Appropriate measures should be implemented to guarantee that real decisions and actions correspond with the firm's ethical standards.</li></ul> <b>4. Involving Employees at All Levels</b> <ul style="list-style-type: none"><li>Because it is employees at all levels who execute the policies relating to ethics and make ethical business a reality.</li><li>Hence, their participation in ethics programmes becomes essential.</li></ul> <b>5. Measuring Results</b> <ul style="list-style-type: none"><li>While it is difficult to accurately quantify the ultimate benefits of ethics programmes, organizations can audit to ensure that ethical standards are being followed.</li><li>The results should then be discussed by the top management team and other staff to determine the next course of action. (Any Three)</li></ul>						1+1+1=3
C	25	a) The company's financial structure is strong, with more equity share capital than long-term debt in its capital structure and a large cash						

		<p>reserve.</p> <p>b) As the company has huge cash reserves with itself, it should use retained earnings, or the self-financing technique for the establishment of new unit. When a company earns profit, a certain amount or percentage of those profits is retained within the business for future use and this is known as retained earnings. When the business is financed through this source it is known as ploughing back of profit or internal financing. Retained earnings is a percentage of net earnings that is kept in the business for future usage.</p>	1+1+1+1==4
C	26	<ul style="list-style-type: none"> <li>No, it is the social responsibility to ensure regular supply of its goods and service to consumers.</li> <li>Social responsibility towards consumer is ignored in above para.</li> </ul>	2+2=4
C	27	<p>Advantages of e-banking:</p> <p>(i) E-banking provides 24 hours, 365 days a year services to the customers of the bank.</p> <p>(ii) It lowers the transaction cost.</p> <p>(iii) It inculcates a sense of financial discipline and promotes transparency.</p> <p>(iv) It reduces the load on bank branches.</p>	1+1+1+1=4
C	28	<p>Public, Private Partnership</p> <p>Features:</p> <ul style="list-style-type: none"> <li>PPP is suitable for big project whose gestation period is very long.</li> <li>The purpose of PPP is to combine the skills, resources, experience of both the public and private sectors deliver better quality of services.</li> <li>In PPP both government and private enterprises share the revenue in the agreed ratio.</li> <li>The private enterprises contribute major part of capital. The government may provide a portion of capital or extend infrastructure for the project.</li> <li>It is an arrangement which facilitates partnership between governments on the one hand and private enterprises on the other.</li> </ul>	1+3=4
C	29	<p>a. <b>Formation:</b> There should be at least two members and ancestral property must be inherited by the members for the formation of the Hindu Undivided Family Business. Each member of the family becomes a member of the business by virtue of birth, and there is no need for any agreement between the family members.</p> <p>b. <b>Liability:</b> The liability of all the members except the Karta is limited to the extent of shares in the co-coparcenary property of the business. However, the Karta has unlimited liability and his personal properties can be used for paying the debts of the business.</p> <p>c. <b>Control:</b> Karta controls the entire family business. He has the authority to manage the business. He takes all the decisions and his decisions are binding on all the co-parceners.</p> <p>d. <b>Continuity:</b> HUF is not affected by the death of the members. In the case of the death of the Karta, the next eldest male member in the family becomes the Karta. However, the business can be terminated with the mutual consent of the members.</p> <p>e. <b>Minor Member:</b> Minors can also be members of the business as membership in the business arises by the virtue of birth.</p> <p>(Any four)</p>	1+1+1+1=4

C	30	<p>a. Praveen is suffering from the economic causes of business risk Economic causes are related to a chance of loss due to change in the market. There can be a change in the degree of competition. All these have a direct impact on the earnings of the business. Even change in Government policy affects the business a lot.</p> <p>b. Ajay is suffering from the human causes of business risk Human risks in business can arise from employees' failure to perform their essential duties in the workplace. Human risks can arise from factors employees can't control, like health issues, or intentional actions like theft or fraud. When a business faces human risks, it can experience a loss of profits.</p>	1+1+1+1=4
C	31	<p>Commerce maintains smooth flow of goods and services from producer to customers by removing all the hindrances related to people, place, time, finance and information.</p> <p><b>Auxiliaries to Trade</b> Auxiliaries to trade assists the buying and selling of the goods and services by removing the hindrances of place, people, time, finance, risk and information.</p> <ul style="list-style-type: none"> <li>• <b>Transportation:</b> It facilitates smooth flow of goods and services from the place of production to the place of consumption. Hence, it removes the hindrance of place. Example- Selling of mobile in Lucknow which is manufactured in Bangalore, tea produced in Assam, while cotton in Gujarat &amp; Maharashtra but they are transported for consumption in different parts of the country.</li> <li>• <b>Communication:</b> Effective and timely communication between the supplier, producer and consumers leads to successful trading. Thus, it removes the hindrance of information.</li> <li>• <b>Banking:</b> Banks and financial institutions help producers or traders in providing finance required them in the form of loans, trade credit, overdraft, etc and hence, removing the hindrance of finance.</li> <li>• <b>Warehousing:</b> Producers and traders cannot sell the entire goods produced and thus stock of goods is always maintained by the producers or traders. Warehousing provides the facility to store unsold goods and hence removing the hindrance of time.</li> <li>• <b>Insurance:</b> Insurance removes the hindrance of risk. It facilitates business to reduce the risk of damages due to fire, theft, natural calamities, etc.</li> <li>• <b>Advertising:</b> Advertising acts as a link between producers, traders and consumers. It brings awareness among consumers about the goods and services available. Hence, removing the hindrance of information.</li> </ul>	1+5=6
C	32	<p>Registration of firm means the entering of the firm's name in the registrar of firms kept with the registrar of firms. It provides conclusive proof of the existence of a partnership firm. Under law it is not compulsory for a partnership firm to get itself registered. However, an unregistered firm suffers from certain drawbacks. Section 69 of the <u>Indian Partnership Act, 1932</u> offers a detailed explanation of the consequences of not opting for firm registration. These are:</p> <p><b>1] No suit in a civil court by the firm or other co-partners against any third party</b> If the firm registration is not done, then the firm or any other person on its behalf cannot file a suit against a third party for breach of <u>contract</u> which the</p>	2+1+1+1+1=6



		<p>firm has entered into. Further, the person filing the suit on behalf of the firm should be in the register of the firm as a partner.</p> <p><b>2] No relief to partners for set-off of claim</b></p> <p>Without firm registration, any action brought against the firm by a third party having a value of more than Rs. 100 cannot be set-off by the firm or any of its partners. Pursuance of other proceedings to enforce rights arising from the contract cannot be done either.</p> <p><b>3] An aggrieved partner cannot bring legal action against other partner or the firm</b></p> <p>A partner of the firm or any person on his behalf cannot bring legal action against the firm or against any partner (or alleged to be a partner) if firm registration is not done. However, if the firm is dissolved, then such a person can sue the firm for dissolution it accounts and realization of his share in the firm's property.</p> <p><b>4] A third party can sue the firm</b></p> <p>Even if the firm registration is not done a third party can bring legal action against the firm.</p>	
C	33	<p><b>Principle of Insurable Interest</b></p> <p>According to this principle, you must have an insurable interest in the life that is insured. That is, you will suffer financially if the insured dies. You cannot buy a life insurance policy for a person on whom you have no insurable interest.</p> <p><b>Principle of Proximate Cause</b></p> <p>While calculating the claim for a loss, the proximate cause, i.e., the cause, which is the closest, and the main reason for a loss should be considered. Though it is a vital factor in all types of insurance, this principle is not used in Life insurance.</p> <p><b>Principle of Subrogation</b></p> <p>This principle comes into play when a loss has occurred due to some other person/party and not the insured. In such a case, the insurance company has a legal right to reach that party for recovery.</p>	2+2+2=6
B	34	<p><b>Advantages of Equity Share</b></p> <ol style="list-style-type: none"> <li>1. Equity capital is the building block of a company. It is the last thing added in the list of claims and it produces a cushion for creditors.</li> <li>2. Equity capital generates creditworthiness to the company and boosts up the confidence of various loan producers.</li> <li>3. Investors who are willing to take larger risks prefer equity shares.</li> <li>4. It is not compulsory to pay the dividend to the equity shareholders. So, the company will not face any burden for this.</li> <li>5. Equity issues raise the funds without generating any charge on the assets of the company.</li> <li>6. The equity shareholders may control the management of the company by their voting rights.</li> </ol> <p><b>Disadvantages of Equity Shares</b></p> <ol style="list-style-type: none"> <li>1. Risk-averse investors with the preference of fixed income will not like equity shares.</li> <li>2. The cost of raising funds from other sources is lower than the cost of equity shares.</li> <li>3. The issue of the additional equity shares dismisses the voting rights and earnings of existing equity shareholders.</li> </ol>	6

		<p>4. Equity share is a time-consuming process as it involves various formalities and administrative delays</p> <p><b>Advantages of Preference Share</b></p> <ol style="list-style-type: none"> <li>1. It does not influence the control of equity shareholders over the management.</li> <li>2. There may be a hike in dividend for the equity shareholders in the good time.</li> <li>3. The income of the shareholders is steady and fixed.</li> <li>4. They have a preferential power of repayment over the equity shareholders.</li> <li>5. Any sort of charge against the assets of a company is not created by the preference capital.</li> </ol> <p><b>Disadvantages of Preference Share</b></p> <ul style="list-style-type: none"> <li>• The amount dividend is higher than the rate of interest on debentures.</li> <li>• The revenue of the company regulates the dividend on these shares.</li> <li>• Risk lovers will not prefer this kind of share.</li> <li>• Claims of equity shareholders diluted by the preference capital.</li> <li>• It is not possible to deduct the dividend paid from the profits as an expense.</li> </ul>	
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