

SET**A**

**INDIAN SCHOOL MUSCAT
HALF YEARLY EXAMINATION 2023
ELEMENTS OF BUSINESS (154)**

CLASS: X

Max. Marks: 70

MARKING SCHEME			
SET	QN.NO	VALUE POINTS	MARKS SPLIT UP
A	1	Shareholders	1
A	2	Private company	1
A	3	Private company	1
A	4	Shares	1
A	5	Companies Act	1
A	6	Public company	1
A	7	Shares	1
A	8	Public company	1
A	9	Share capital	1
A	10	Fixed interest	1
A	11	Retained earnings	1
A	12	Equity Shares	1
A	13	Retained earning	1
A	14	Decoding	1
A	15	Informal Communication	1
A	16	Face to face	1
A	17	Grapevine	1

A	18	Horizontal	1
A	19	Two-way communication involves feedback from the receiver to the sender. This allows the sender to know the message was received accurately by the receiver.	3
A	20	<p>Private company</p> <ol style="list-style-type: none"> 1. Minimum 2 and maximum 50 members 2. Cannot transfer shares 3. Cannot invite public for subscription of shares 4. Minimum paid up capital of Rs. 1 lakh 5. Use work 'pvt ltd' <p>Public company</p> <ol style="list-style-type: none"> 1. Minimum 7 and maximum unlimited members 2. Can transfer shares 3. Invite public to subscribe for shares 4. Minimum paid up capital of Rs. 5 lakhs 5. Use the word 'ltd' <p style="text-align: center;">OR</p> <p>The following are the privileges of a private limited company as against a public limited company</p> <ol style="list-style-type: none"> 1. It can be formed by only 2 members whereas 7 people are needed to form a public company. 2. There is no need to issue a prospectus as public is not invited to subscribe to its shares. 3. Allotment of shares can be done without receiving the minimum subscription. 	3

		<ol style="list-style-type: none"> 4. It can start business as soon as it receives the certificate of incorporation. 5. It need to have only two directors whereas 3 are required in case of a public company. 6. It is not required to keep an index of its members while it is required for public company. 7. There is no restriction on the amount of loans to directors as it exists in the case of a public company. 	
A	21	<p>Features</p> <ol style="list-style-type: none"> 1. Huge capital resources – These enterprises have huge financial resources and the ability to raise funds from different sources. 2. Foreign collaboration – They usually enter into agreement with companies of other countries for the sale of technology, production of goods use of brand names for the product etc. 3. Advanced technology – These enterprises have advanced technology in their methods of production. They are able to conform to international standards and quality. 4. Product innovation – They are always engaged in the task of developing new products or adding new features to the existing products. 5. Marketing strategies – They use aggressive marketing strategies in order to increase the sales in a short period. Their advertising and sales promotion techniques are normally very effective. 6. Expansion of market territory – Their operations and activities extend the boundaries of their own countries. They are also able to build up their image through international branding. 7. Centralized control – They have their headquarters in their home country and exercise control over its branches and subsidiaries. 	3

A	22	<p>Merits of debentures.</p> <p>(i) It is preferred by investors who want fixed income at lesser risk;</p> <p>(ii) Debentures are fixed charge funds and do not participate in profits of the company;</p> <p>(iii) The issue of debentures is suitable in the situation when the sales and earnings are relatively stable.</p>	3
A	23	<p>Steps in the formation of a company</p> <ol style="list-style-type: none"> 1. Promotion- The first stage in the formation of a company is promotion. This is the stage where an idea generates and it is put into practice. The person/persons who form a company are known as promoters. 2. Incorporation- In this stage, a company is registered with the registrar of the company. A private company can start after its registration. 3. Capital subscription- A public company invites the public to subscribe for its shares. 4. Commencement- A public company starts its operations after it gets a certificate of commencement from the registrar. 	4
A	24	<p>The financial needs of a business can be categorized as:</p> <p>a) Fixed capital requirements</p> <p>These funds are required to remain invested in the business for a long period of time.</p> <p>Eg: funds required to purchase fixed assets like land and building, plant and machinery, and furniture and fixtures.</p> <p>b) Working Capital requirements</p> <p>These are funds required for day-to-day operations of the business. This includes current assets such as raw materials, bills receivables and for meeting current expenses like salaries, wages, taxes, and rent.</p>	4

A	25	<p>Demerits</p> <p>(i)Excessive ploughing back may cause dissatisfaction amongst the shareholders as they would get lower dividends;</p> <p>(ii)It is an uncertain source of funds as the profits of business are fluctuating;</p> <p>(iii)The opportunity cost associated with these funds is not recognized by many firms. This may lead to sub-optimal use of the funds.</p>	4
A	26	<p>Language hurdles (semantic barriers) The language used by the sender may not be understood by the receiver. Also, the two people communicating may speak the same language but the jargon used might make it difficult to understand.</p> <p>Emotional hurdles (Psychological barriers) The state of mind of the communicators can hinder the delivery of information. The mental state of the sender and receiver influences how the message is received, perceived and sent.</p> <p>Physical hurdle The environment one is in ,determines the quality of communication.</p> <p>Communication in a noisy place or geographical distance are physical hurdles to communication.</p> <p>Systematic hurdle (Organizational Barriers) Systematic barriers exists due to the lack of efficient communication channels in an organization.</p> <p>Attitudinal hurdle Attitudinal hurdle are behaviors or perceptions that prevent people from communicating effectively. It may result from personality conflicts, lack of motivation etc.</p> <p style="text-align: center;">OR</p> <p>Some measures which can be adopted to overcome various barriers of communication:</p> <ul style="list-style-type: none"> • The understanding level of the receiver must be kept in mind while providing information. 	4

		<ul style="list-style-type: none"> • Before communicating, other people must be involved in order to chalk out a plan of communication. • The language, tone and content of the information should be such that it does not harm the sentiments of the receiver. • While communicating, the receiver must be regularly prompted to respond so as to ensure that information is being understood. • The sender must ensure that the information provided is complete in all respects. • Both sender and receiver must be clear with regard to the basic idea of the communication. • There must be regular follow up and review of instructions given to subordinates in order to avoid any hurdles in implementing those instructions. • The sender must also be a patient listener and invite a response from the receiver as well. 	
A	27	<p>Joint Stock Company</p> <p>Features of a company</p> <ol style="list-style-type: none"> 1. Artificial person- 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. 2. Separate legal entity- A company's identity is distinct from its members. The law does not recognize the business and owners to be one. Its assets and liabilities of the company are separate from its owners. 3. Formation- A company is legally formed through its registration. Registration of a company is compulsory under the Companies Act ,1956. 4. Perpetual succession- 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. 	6

		<p>5. Control- The management and control of the affairs of the company is undertaken by the Board of Directors.</p> <p>6. Liability- The shareholders have limited liability. That is, the creditors can use only the assets of the company and not the personal assets of the shareholders.</p> <p>7. Common seal- The company being an artificial person enters into contracts through a common seal. It is the official signature of a company.</p> <p>8. Risk bearing- The risk of the company is born by all the shareholders.</p>	
A	28	<p>Merits -The important merits of trade credit are as follows:</p> <p>(i)Trade credit is a convenient and continuous source of funds;</p> <p>(ii)Trade credit may be readily available in case the credit worthiness of the customers are known to the seller</p> <p>(iii)Trade credit is needed to promote the sales of an organization;</p> <p>Limitations -Trade credit as a source of funds has certain limitations, which are given as follows</p> <p>(i)Availability of easy and flexible trade credit facilities may induce a firm to indulge in overtrading, which may add to the risks of the firm;</p> <p>(ii)Only limited amount of funds can be generated through trade credit;</p> <p>(iii)It is generally a costly source of funds as compared to most other sources of raising money</p> <p style="text-align: center;">OR</p> <p>Sources of funds available for Sole Proprietorship Business</p> <p>1. 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.</p>	6

		<p>2.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.</p> <p>3.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.</p> <p>4. 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.</p> <p>The merits of raising funds from a commercial bank are as follows:</p> <p>(i)Banks provide timely assistance to business by providing funds as and when needed by it.</p> <p>(ii)Secrecy of business can be maintained as the information supplied to the bank by the borrowers is kept confidential;</p> <p>(iii)Formalities such as issue of prospectus and underwriting are not required for raising loans from a bank. This, therefore, is an easier source of funds.</p>	
A	29	<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.</p> <p>It can be made by emails, letterheads, reports etc.</p> <ol style="list-style-type: none"> 1. It flows in a systematic manner. 2. It is helps in achieving organizational objectives. 3. Its source and flow of direction can be easily traced. 4. It does not lead to rumors. 5. It is mostly in written form and hence can be documented. 	6
A	30	<p>Video conferencing is the method of visual communication in which face-to-face, live communication takes place with the help of the internet.</p> <p>Advantages</p>	6

		<ol style="list-style-type: none"> 1. Video conferencing helps in reducing the travel costs incurred by a company manifolds. 2. It allows the employees to discuss the problems with the concerned person without any delay. 3. It erases the barrier of time by allowing a group of people to discuss things without much time. 4. It erases the barrier of place by allowing those working in distant locations to communicate without moving from their location. 5. It is an easy way of communication. 	
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