

SAMPLE QUESTION PAPER - 2

Business Studies (054)

Class XI (2024-25)

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks may be about 150 words.
6. Answers to the questions carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

1. Business transaction taking place within the geographical boundaries of a nation is known as a domestic or national business. It is also referred to as internal business or home trade. Manufacturing and trade beyond the boundaries of one's own country is known as international business. [1]

Permitting another party in a foreign country to produce and sell goods under your trademarks, patents, or copyrights in lieu of some fee is another way of entering into international business. This is through _____.

- | | |
|----------------------|------------------------------|
| a) sale of goodwill | b) sale of copyrights |
| c) sale of trademark | d) licensing and franchising |

2. What do you mean by entrepreneurship? [1]

- | | |
|--------------------------|-------------------------------------|
| a) Pursuing employment | b) Setting up of one's own business |
| c) Practicing profession | d) All of these |

3. A prospectus is issued by: [1]

- | | |
|-----------------------|--|
| a) a joint enterprise | b) a public enterprise |
| c) a private company | d) a public company seeking investment from the public |

16. **Assertion (A):** The principle of indemnity is not applicable to life insurance. [1]
Reason (R): Indemnity means the promise of the insurer to put back the insured in the same position as before the mishap.
- a) Both A and R are true and R is the correct explanation of A. b) Both A and R are true but R is not the correct explanation of A.
c) A is true but R is false. d) A is false but R is true.
17. Which of the following issues faced by small businesses is incorrect regarding the raw materials required by them for production? [1]
- a) Low bargaining power due to the small quantity of purchases made by them b) Required raw materials are not available easily
c) Large storage facilities to store the materials d) Compromise on the quality as they have to pay high prices to get good quality materials
18. Cattle breeding farms, poultry farms, and fish hatchery come under which industry? [1]
- a) Genetic b) None of there
c) Manufacturing d) Extractive
19. Under **Village and Small Industries Sector** which of the following accounts for **modern** small industries. [1]
- a) Hand looms b) Power looms
c) Khadi d) Coir
20. Preliminary Contracts are: [1]
- a) binding on the company b) binding on the guarantor
c) not binding on the company d) binding on the promoters
21. Write four points of importance of international business for a country. [3]
22. Differentiate the following activities into Economic and Non-economic: [3]

- i. A property dealer is purchasing a house for himself.
- ii. A doctor is giving his son a medical treatment.
- iii. A person is selling tea on a railway station.
- iv. A property dealer is buying a house for someone on commission.

OR

Reema bought a new house recently and plans to shift in the near future. Therefore, she is selling off her old kitchen appliances at OLX and has also made some profit in the process.

In the context of the above case:

- i. Will this transaction be constituted as a business activity? Why or why not?
- ii. Mention the underlying characteristic of the business.

23. What purpose is served by wholesalers providing warehousing facilities? [3]
24. What are equity shares? Discuss its various features. [3]

OR

Who issues bonds? How are they different from debentures?

25. Point out the four features of a wholesaler. [4]

OR

Describe any four functions of retailers.

26. How would you classify business activities? [4]

OR

Karan is running a grocery shop in the nearby local market whereas his friend Priyanshu works as a finance manager in a reputed IT company.

In the context of the above case:

- i. Identify the different types of economic activities both the friends are engaged in.
- ii. Distinguish between the two different types of economic activities as identified in part (i) of the question (any two points).

27. E-business offers numerous benefits. Justify your answer by giving suitable reasons. [4]
28. What are the different kinds of organizations that come under the public sector? [4]

29. What is business ethics? Mention the basic elements of business ethics. [4]
30. Clarify the meaning of the terms **Entrepreneur**, **Entrepreneurship** and **Enterprise**. [4]
31. Jitesh had placed an order for import of medical equipment from the USA for his diagnostic center. He has now received an intimation about the arrival of the goods in India. What are the various formalities that he will have to complete before taking the delivery of goods? [6]

OR

What is international business? How is it different from domestic business?

32. What is a Memorandum of Association? Briefly explain its clauses. [6]

OR

Distinguish between private companies and public companies.

33. Distinguish between Owner's Funds and Borrowed Fund. [6]
34. Gauri took an insurance policy for her home without disclosing that the home is being used to house the catering business. After a few months, a gas cylinder explosion caused major damage to her property. Consequently, she filed a claim against the insurance company for compensation of loss. On investigating the matter, the insurance company discovered the commercial use of the home and refused to pay any claims. Identify and explain the principle of insurance which has been violated in the above case. [6]

Solution
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1.
(d) licensing and franchising
Explanation:
Permitting another party in a foreign country to produce and sell goods under your trademarks, patents or copyrights in lieu of some fee is another way of entering into international business is through licensing and franchising.
2.
(b) Setting up of one's own business
Explanation:
Entrepreneurship means setting up own business for profits.
3.
(d) a public company seeking investment from the public
Explanation:
A prospectus is a legal document issued by companies that are offering securities for sale.
4.
(d) Street traders
Explanation:
Street traders are the small retailers who are commonly found at places where huge floating population gathers for eg., near bus stands or railway stations.
5. **(a)** More labour intensive and less capital intensive.
Explanation:
Small scale industries employed more labour and less capital .
6.
(c) Virtual Private Network
Explanation:
A VPN, or Virtual Private Network, is a type of network connection that allows users to browse the web securely and anonymously.
7. **(a)** 51 percent
Explanation:
A government company means any company in which not less than 51 per cent of the paid-up capital is held by the central government.
8.
(d) Investment in plant and machinery

Explanation:

The parameter used to describe small industries is investment in plant and machinery.

9.

(b) Only D is false

Explanation:

The liability of equity shareholder is limited to the extent of capital contributed by them in the company.

10.

(b) Both A and R are true but R is not the correct explanation of A.

Explanation:

Karta is the eldest member of the HUF who takes all the decisions. Other members, called co-parceners have equal rights over the ancestral property.

11.

(d) Both time and place utility

Explanation:

Wholesalers provide both time and place utility

12.

(c) Departmental store

Explanation:

The departmental store is a retail business which acts as a universal supplier of a wide variety of products.

13.

(b) Promotion

Explanation:

Promotion Stage is the first stage in the formation of a company.

14.

(d) 1955

Explanation:

National Small Industries Corporation Limited (NSIC) is a Mini Ratna PSU **established** by the Government of India in 1955 It falls under Ministry of Micro, **Small & Medium Enterprises** of India. NSIC has set up training cum incubation centre managed by professional manpower.

15.

(d) Land Pollution

Explanation:

Land pollution is caused by the dumping of toxic wastages on land. It changes the physical, chemical, and biological characteristics of the land and deteriorates the quality of

land that make it unfit for cultivation.

16.

(b) Both A and R are true but R is not the correct explanation of A.

Explanation:

The principle of indemnity is not applicable to life insurance because the insurer can't bring back the life of a person and there is no money equivalent to live. That's why he can't bring the insured back into the position before the mishap.

17.

(c) Large storage facilities to store the materials

Explanation:

Large storage facilities to store the materials. Since due to a shortage of funds no bulk quantity is purchased and no need to store.

18. **(a)** Genetic

Explanation:

Genetic industries are those **industries** that are engaged in re-production and multiplication of species of plants and animals with the sole objective of sale and earning profit.

19.

(b) Power looms

Explanation:

Power looms and small scale industries come under modern small industries.

20.

(c) not binding on the company

Explanation:

Preliminary contracts are contracts entered into by the promoters on behalf of the company before its incorporation with third parties. Such contracts are legally not binding upon the company even after it comes into existence.

21. importance of international business for a country are as follows:

- i. **Earning of foreign exchange:** International business helps a country to earn foreign exchange which it can later use for meeting its imports of capital goods, technology, petroleum products and fertilisers, pharmaceutical products and a host of other consumer products which otherwise might not be available domestically.
- ii. **More efficient use of resources:** As stated earlier, international business operates on a simple principle - produce what your country can produce more efficiently, and trade the surplus production so generated with other countries to procure what they can produce more efficiently.

- iii. **Improving growth prospects and employment potentials:** Producing solely for the purposes of domestic consumption severely restricts a country's prospects for growth and employment. Many countries, especially the developing ones, could not execute their plans to produce on a larger scale, and thus create employment for people because their domestic market was not large enough to absorb all that extra production.
- iv. **Increased standard of living:** In the absence of international trade of goods and services, it would not have been possible for the world community to consume goods and services produced in other countries that the people in these countries are able to consume and enjoy a higher standard of living.

- 22. i. Non-economic
- ii. Non-economic
- iii. Economic
- iv. Economic

OR

- i. No, this transaction cannot be constituted as a business activity. Reema has sold materials on OLX only once and has earned profit out of it. But, it can not be termed as business activity as the motive of selling is over and there are no intentions of Reema to sell the same items again. Thus, the continuity of business is broken.
 - ii. The underlying characteristic of business is 'Dealings in goods and services on a regular basis'.
23. Wholesalers purchase goods in bulk from manufacturers, store them and distribute them to retailers in small quantities for further resale. This bulk purchase of goods enables manufacturers to undertake production on a large scale without worrying about storage facilities. By offering warehouses close to the centres of distribution, wholesalers provide what is known as place utility. Wholesalers not only provide warehousing facilities such as collection, storage and protection of goods but also facilitate marketing and distribution, creating time utility.
24. Equity shares are the main source of finance of a firm. It gives the right to the holders to claim dividend on the surplus profits of the company. The rate of dividend on the equity capital is determined by the management of the company.

Features:

- i. Equity shares are transferable in nature. They can be transferred from one person to another with or without consideration.
- ii. Equity shareholders are the actual owners of the company and they bear the highest risk.

OR

Bonds are issued as long-term financial instruments by the Central Government, State Government, or any specialized financial institution.

These are some fine differences between debentures and bonds:

- i. There is no to the minimum risk involved in bond investments but the risk factor is high in debentures.
- ii. At the time of liquidation, the bondholders are always given preference.

25. Four features of wholesale trade are as follows:

- i. The wholesale deals in one or few items of goods.
- ii. Wholesaler requires a large amount of capital to be invested in the business.
- iii. Wholesaler buys goods from the manufacturer in large scale.
- iv. Wholesaler sells the goods to retailers as per their requirement.

OR

The functions of retailers are as follows:

- i. Financing: Retailers provide goods to consumers often on a credit basis to their regular customers. This increases the level of consumption and hence the standard of living of salaried class.
- ii. Supplying market information: Since the retailer is in direct contact with the consumers, he provides information regarding their tastes, preferences, and attitudes, etc. to the wholesaler. This information helps them in making important marketing decisions.
- iii. Convenience in buying: Retailers provide goods to consumers according to their requirements through the door to door services or by telephone etc. Usually, they are situated near residential areas and remain open for long hours.
- iv. Risk bearing: A retailer has to bear the risk if the change in style and fashion occurs when the goods are stored in large quantities in the warehouses.
- v. After sales services: Retailers sometimes provide home delivery and after sales service to costumers.

26. Business is the buying, selling and exchange of goods and services for profit motive.

Business activities can be classified into the following two broad categories:

- i. Industry: It refers to economic activities in which raw materials are processed and converted into useful products. During the process, value addition to the raw materials takes place, and the final products have a higher value compared with the raw materials. For instance, a piece of cloth has a higher value than the cotton from which it is produced. Therefore, we can say that industries produce goods that are readily consumable by the final consumers. Among the major activities that are performed by industry are production, processing and manufacturing. Industries are classified into

three categories:

- a. Primary Industry - it includes activity connected with the production of wealth directly from natural resources etc.
 - b. Secondary Industry - This industry is concerned with converting raw material into finishing product.
 - c. Tertiary Industry - These industries are concerned with providing those services which facilitate the flow of goods and services.
- ii. Commerce: Unlike industry, commerce does not involve manufacturing or production. It basically involves trading and its related activities. Commerce includes exchange of goods and services. It primarily aims at the circulation of these goods and services so as to keep them within the reach of the final consumers. The major commercial activities are transportation, advertisement, packaging, warehousing, banking, communication, etc. Hence, it can be said that commerce bridges the gap between the producers and the consumers. Trade can be further classified into two-internal and external trade.

OR

- i. The different types of economic activities both the friends are engaged in are: Karan is doing Business whereas the occupation of Priyanshu is Employment.
- ii. The difference between Business and Employment is given below:

S. No.	Basis	Business	Employment
1.	Qualification	There is no minimum qualification required for running a business successfully.	A person should be qualified in accordance with the nature of employment that he/she wishes to take up.
2.	Reward	Profit earned is the reward for a businessman.	An employee is paid salary/wages.

27. There are actually innumerable advantages of e-Business, the most obvious one being the ease of doing business. Some of the major advantages of e-business are as follows:
- i. **Easy to Set Up:** It is easy to set up an electronic business. You can set up an online business even by sitting at home if you have the required software, a device, and the internet.
 - ii. **Cheaper than Traditional Business:** Electronic business is much cheaper than a traditional business. The cost taken to set up an e-business is much higher than the cost required to set up a traditional business. Also, the transaction cost is effectively less.
 - iii. **Global reach:** There are no geographical boundaries for e-business. Anyone can order anything from anywhere at any time. This is one of the benefits of e-business.

- iv. **Government Subsidies:** Online businesses get benefits from the government as the government is trying to promote digitalization.
 - v. **Flexible Business Hours:** Since the internet is always available. E-business breaks down the time barriers that location-based businesses encounter. As long as someone has an Internet connection, you may be able to reach and sell your product or service to these visitors to your business website.
 - vi. E-business means freedom: Opening an e-business means freedom - freedom of location, freedom to work and freedom to push your company where you want it to go.
28. Following are the different kinds of organizations that come under the public sector:
- i. **Departmental Undertaking:** This is the oldest and traditional form of public enterprises. It is managed by government officials as one of the government departments. It is under the control of the concerned minister of the department, who is answerable to the government through parliament.
 - ii. **Statutory Corporation:** Statutory Corporation is a corporate body with a separate legal existence, set up under a special act of parliament or of the state legislature which defines its power and functions.
 - iii. **Government Company:** According to the Indian Companies Act 1956, a government company means any company in which not less than 51 per cent of the paid-up capital is held by the government or by any state government or partly by the central government and partly by one or more state governments. They are established purely for business purposes.
29. Business ethics refers to a set of moral values or standards or norms that govern the activities of a businessman. Ethics defines what is right and what is wrong.
- Elements of business ethics:
- i. **Identification:** It means that businessmen should be competent enough to rank and identify the ethical issues in order of importance.
 - ii. **Evaluation:** It means that businessmen must develop the rules and regulations in order to evaluate the ethical issues of the business.
 - iii. **Imagination:** A businessman should be imaginative enough that he should think about society before taking any decision about the business. He must be aware of the areas towards which people are sensitive.
 - iv. **Tolerance:** Businessmen must have the quality to tolerate ethical disagreement.
 - v. **Obligations:** The business decision taking process should be evaluated so that it must fulfill ethical obligations.
30. **Entrepreneur:** The owner of a business is known as an Entrepreneur or we can say that the person who set-up a business. That person is the co-ordinator, organiser of resources and gives shape to the business.

Entrepreneurship: It is the dynamic process of interaction between the person and the environment. It means starting up one's own business, concerned with strategic decisions of resource allocation and involves huge risk to create value and earn a profit.

Enterprise: The output of the entrepreneurship process is known as the Enterprise. It is something that attempted to be performed. It provides employment opportunities, professional opportunities and business opportunities which helps in building up the economy of a nation.

Thus, an entrepreneur refers to a person/individual who starts up a business. He is the one who takes up the basic idea of setting up the business. In the process of setting up the business, he undertakes risk coordinates production resources, and undertakes innovation. This whole process of setting up a new business is called entrepreneurship. The final result that is the business that is established after undertaking the process of entrepreneurship is called an enterprise. In simple words, an entrepreneur is a person who undertakes the process of entrepreneurship to set up an enterprise.

31. The importer or the C&F agent appointed on his behalf undertake the following steps for getting the customs clearance and release of goods:
- i. When the ship arrives at the port, the shipping company either issues a delivery order or makes the endorsement for delivery on the back of the bill of lading in order to authorize the importer to take the delivery of goods.
 - ii. In case the freight charges have not been paid by the exporter, the importer is expected to clear these dues.
 - iii. The importer then submits two copies of a duly filled in 'application to import' form to the 'Landing and Shipping Dues Office' for the payment of charges levied by the dock authorities for services provided by them. After payment of dock charges, the importer is given back one copy of the application as a receipt. This receipt is known as 'port trust dues receipt'.
 - iv. After this, the importer fills in a 'bill of entry' form for assessment of customs import duty. After the documents have been examined by the appraiser an examination order is issued and the importer is expected to pay the import duty.
 - v. The bill of entry is then presented to the dock superintendent who in turn forwards the goods to an examiner for physical examination. The examiner gives his report on the bill of entry which is later on shown to the port authority.
 - vi. Finally, the importer or his C&F agent receives the release order after paying the necessary charges to the port authority.

OR

International business refers to business activities that takes place across international frontiers. International business involves not only trade in goods and services but also

other operations such as production and marketing of goods and services in foreign countries. International Business is also known, called or referred to as a Global Business or an International Marketing.

Differences between International Business and Domestic Business are summarized below:

Basis	International Business	Domestic Business
Nationality of buyers and Sellers	People of different nationalities	People of one nationality
Nationality of other stakeholders	Employees, suppliers, customers, shareholders, partners, middlemen, etc. belong to different nationalities in international business.	Employees, suppliers, customers, shareholders, partners, middlemen, etc. belong to the same nationality in domestic business. Exceptions are possible.
Political Systems	International business is subject to the political system of many nations.	Domestic business is subject to the political system of one country.
Risk	Degree of risk is higher	The degree of risk is lower.
Mobility of factors of production	Less across countries.	More within the geographical boundaries of the country.
Consumer's taste and preferences	International markets are heterogeneous	Domestic markets are more homogeneous
Currency	Use foreign currency.	Use domestic currency.
Business regulations and policy	International business is subject to rules laws, policies, and taxation system, etc. of multiple countries.	Domestic business is subject to rules, laws, policies, and taxation system, etc. of a single country.

32. Memorandum of Association defines the objects for which the company is formed. This is the main document of the company and is subordinate to the Companies Act.

Memorandum of Association defines the relationship of the company with outsiders.

Every company has to file a Memorandum of Association.

The various clauses of a memorandum of association are:

- i. **The name clause:** This clause states the name of the company which has already been approved by the Registrar of Companies.

- ii. **Registered office clause:** This clause contains the details of the registered office of the proposed company. However, thirty days of the grace period is given by the Registrar of Companies in case the promoters have not been able to decide about the location of the registered office at the time of filing of the documents for the registration.
- iii. **Object clause:** This clause defines the purpose for which the company is formed. Therefore, it is considered to be the most important clause as any activity of the company beyond this clause is considered to be illegal.
- iv. **Liability clause:** This clause restricts the liability of the members-only to the extent of the amount unpaid on the shares owned by them.
- v. **Capital clause:** The maximum amount of capital which the company will be authorised to raise through the issue of shares is mentioned in this clause along with its face values. The said company cannot issue share capital in excess of the amount mentioned in this clause without making amendments in the Memorandum.
- vi. **Association clause:** This clause contains the list of people who have agreed to become signatories to the Memorandum of Association and also purchase qualification shares. The Memorandum of Association must be signed by at least seven persons in case of a public company and by two persons in case of a private company.

OR

Difference between a private company and public company:

Basis		Private Company	Public Company
(i)	Number of members	Minimum-2 Maximum-200	Minimum- 7 Maximum- Unlimited
(ii)	Number of Directors	Minimum- 2	Minimum- 3
(iii)	Invitation to the general public	Cannot invite the public to subscribe to its securities.	Can invite the public to subscribe to its shares or debentures.
(iv)	Transfer of shares	Restriction on Transfer	No Restriction
(v)	Statutory meeting	No compulsion for holding statutory meetings and filing of the statutory reports.	It needs to hold a statutory meeting and must file a statutory report.
(Vi)	Commencement of Business	After the issue of a certificate of incorporation	After the issue of a certificate of commencement of business

(vii)	Issue of prospectus	Does not invite the public for subscription	Invite public for subscription by issuing a prospectus
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33. Difference between Owner's Fund and Borrowed Fund:

S.No.	Basis	Owner capital	Borrowed capital
1.	Meaning	Consist of the amount contributed by owners and their profit reinvested in the business.	It includes funds available in the form of loans or credit.
2.	Permanent	It remains permanently invested.	It is not a permanent source of investment.
3.	Risk	It carries the risk of the business.	The debts of the company are secured.
4.	Control	Control rests with providers of owners' capital.	No control rests with providers of borrowed funds.
5.	Security	Not secured by any assets.	It is backed by the security of assets.
6.	Reward	The reward is dividends.	Interest is paid as a reward.
7.	Priority	The reward is paid after payment of interest on borrowed funds.	Payment of interest gets priority over payment of dividends.
8.	Nature of return	The rate of dividends may fluctuate year to year.	The rate of interest is fixed on funds.

34. The *principle of utmost good faith* has been violated as Gauri didn't mention about the commercial use of the home while taking the policy. The principle of utmost good faith is described below:

- i. An insurance contract is a contract of *uberrimae fidei* as it is based on utmost good faith which should be displayed by both the parties involved therein, i.e., the insurer and the insured.
- ii. The insurer should make full and accurate disclosure of all material facts related to the subject matter of the proposed insurance. The insurer should at the same time make all the terms and conditions of the contract clear.
- iii. The contract of insurance will be voidable at the discretion of the insurer if the insured does not disclose any facts which are likely to affect the mind of a wise insurer in fixing the amount of premium or the decision to accept the proposal of insurance.