

CBSE
Class XI Business Studies

Time: 3 hrs

Max. Marks: 90

General Instructions:

- i. All questions are compulsory.
 - ii. Marks for questions are indicated against each question.
 - iii. Question Nos. **1–8** are very short answer questions carrying **1** mark each. They are required to be answered in one sentence each.
 - iv. Question Nos. **9–14** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50–75** words each.
 - v. Question Nos. **15–18** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
 - vi. Question Nos. **19–23** are long answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
 - vii. Question Nos. **24–27** are long answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
 - viii. Answers should be brief and to the point, and the above word limits should be adhered to as far as possible.
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1. Employment refers to an occupation wherein people _____. [1]
 - a. regularly engage in activities related to sale of goods or services
 - b. work for others and get remunerated in return
 - c. perform economic activities which require application of special knowledge and skills
 - d. All of the above
2. Which of the following is the feature of a company which is operating in more than one country? [1]
 - a. Oligopolistic polices
 - b. Miniature size
 - c. Separate control
 - d. All of the above
3. State a single application of e-business. [1]
4. When is the approval of the Registrar of Companies required during the stages in the formation of a company? [1]

5. What is the full form of ADRs? [1]
- African Depository Records
 - Aruba Debentures Records
 - Australian Debentures Receipts
 - American Depository Receipts [1]
6. Internal sources of capital are generated _____. [1]
- from commercial papers
 - within the business
 - through equity shares
 - All of the above
7. List any one source of short-term finance. [1]
8. Name the mode that brings the firm closer to the international market. Give reason. [1]
9. State three points of difference between business, profession and employment. [3]
10. A recently opened company allotted 2,00,000 shares of Rs 20 each to the public. It then received an application for 1,40,000 shares. Is the company capable of allotting these shares? [3]
11. Ms Shashi has decided to start a company. She conveys her decision to her boss and he tries to test her by asking her some questions regarding its formation.
- Which document contains the bye-laws of the company? [1]
 - What is the difference between Memorandum of Association and Articles of Association? [2]
12. Kumar's grandfather asked Kumar to visit the bank with him to open a fixed deposit in the bank. Kumar said that visiting the bank is not required to open a fixed deposit. Grandfather was confused as to how it is possible. Explain the concept which Kumar is talking about. Also state its advantages. [3]
13. A person takes a loan from his friend as security towards his factory. Is the friend allowed to apply for insurance of the factory? [3]
14. State the process wherein non-core activities are given to agencies experienced enough to handle them. Also mention its ethical concerns. [3]
15. Stores such as *Spencer* and *Big Bazaar* fall under a certain category of fixed shops.
- Identify the category. [1]
 - Mention the features of the identified category. [3]

16. What are your thoughts on social responsibility? Mention your arguments for it. [4]
17. A debate takes place between you and your friend regarding the importance of outsourcing. Put your points as to why there is a need for outsourcing. [4]
18. Mr Jack is an owner of a large-sized company selling garments. He is determined to bring his products to the Indian market. However, he is confused whether to distribute goods through wholesalers or set up his own multiple shops. Give a suggestion to him with reasons. [4]
19. What do you understand by the term economic activities? State its types. [4]
20. Mr Vinay is interested in opening an establishment. He is wondering about the type of organisation which would be fruitful in the long run. He wants the organisation to be superior to other business organisations.
- a. Which type of organisation can be chosen by Mr Vinay? [1]
 - b. Why is the chosen organisation considered superior to other business organisations? [4]
21. The government is continuously making efforts to promote exports of the country. In this regard, explain five incentives and schemes announced by the government. [5]
22. A large industrial enterprise wants to expand its business and bring about financing modernisation. What are the various sources through which they can gain capital to fulfil their ideology? [5]
23. Small-scale industries play a significant role in our country. Also, various areas of the country are perfect places to start a small-scale industry. With respect to these, answer the following questions:
- a. What is the definition of a small-scale industry according to the government?[1]
 - b. State its role in rural India. [4]
24. How is a Joint Hindu Family different from a partnership? [6]
25. Pari is excited about Diwali. She has informed her mother about decorating the house. However, her mother has instructed her to clean the house. Pari is confused as to how she can clean the house all by herself. Her mom tells her that she would not have to do it all by herself as someone else would be doing so. Pari asked why someone else would do the work for them. Mom replied that the work or services would be done for a fee. On that note, answer the following questions:
- a. What are services? [1]
 - b. Explain their characteristics. [5]
26. Anand Pvt. Ltd. manufactures shoes. It has its presence all over the country. Now, after having made a mark in its own country, it wants to expand its business in other

nations. However, being new to this process, the owner Mr Anand is not aware of the course of action he should take to expand the business. With respect to expansion, answer the below questions:

- a. Mention the process to obtain the Import Export Code. [2]
 - b. Articulate the problems faced by the firm while conducting business internationally. [2]
 - c. State the benefits to the country due to this expansion. [2]
- 27.** Name the following long and medium term sources of finance. Also, state their merits and demerits.
- a. They are raised from the public by organisations to finance both medium and short-term financial requirements. [3]
 - b. For the future expansion of the company, part of the profits is retained in the organisation instead of distributing profits completely in the form of dividends among shareholders. [3]

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Solution

Answer 1

Employment refers to an occupation wherein people **work for others and get remunerated in return**. On the contrary, business refers to all those activities which are concerned with the production, purchase, sale and supply of goods with the motive of earning profit. A profession is an occupation where individuals with specialised knowledge and qualification provide specialised services in the relevant field to the masses to earn a living.

Answer 2

A company operating in more than one country is known as a global enterprise, and one of its features is ***oligopolistic policies***. Oligopoly refers to power in the hands of a few. Thus, because of the large size of the global enterprise, it has a dominating position in the market. As a result, it can acquire different smaller companies in the market.

Answer 3

One of the applications of e-business is e-procurement. E-procurement is an Internet-based transaction to procure goods and services for business. It streamlines the purchasing process and enhances the trade link between multiple buyers and sellers in a digital marketplace and between a single business purchase and many sellers.

Answer 4

In the stages of formation of a company, the approval of the Registrar of Companies is required for the ***naming of the company***. In this regard, three names (in priority order) are provided in the application which is to be submitted to the Registrar of Companies.

Answer 5

The full form of ADRs is American Depository Receipts. They are negotiable depository receipts or certificates which represent the shares of companies based in the United States. Unlike GDR, they can be listed only in the U.S. stock exchange and can only be issued to American citizens.

Answer 6

Internal sources of capital **are generated within the business**. Finance or funds generated within an organisation without the need to have a formal agreement from any outside source except the managers and directors of the company is termed an internal source of finance. When an enterprise obtains funds by selling surplus inventories, collecting bill receivables or by reinvesting profits, these funds are said to have been generated from internal sources. The amount raised from such sources is usually small.

Answer 7

One source of short-term finance is **bank credit**. Bank credit is a short-term finance advanced by commercial banks to business firms. The borrower needs to mortgage assets and credit may be granted by way of overdraft, loan or cash. It can be either secured or unsecured depending on the circumstances.

Answer 8

The mode which brings the firm closer to the international market is **contract manufacturing**. This is because the firm gets certain components or goods produced by local manufacturers in foreign countries. Goods so manufactured or assembled by the firm are delivered in the international market.

Answer 9

	Basis	Business	Profession	Employment
i.	Commencement	By an entrepreneur and after the fulfilment of certain legal formalities	After the completion of a professional degree or a course from an institute	After receiving an appointment letter and service agreement
ii.	Capital investment	Depends on the scale and nature of the business	Limited capital is required	No capital is required
iii.	Risk	Risk and uncertainty are always present	A comparatively low degree of risk is involved	Negligible risk involved

Answer 10

Let us first check how much percent of the issued amount has been received by the company:

Application received by the company = 1,40,000

Amount of shares allotted to the public = 2,00,000

$$\text{Percent of issued amount received by the company} = \frac{140000}{200000} \times 100 = 70\%$$

Thus, the company cannot allot shares to the public as it has received only 70% of the issued amount. Thus, it needs to repay the money received from people within 8 days. This is because according to the law, the company can allot shares only if it has received the minimum subscription in cash, i.e. 90% of the issued amount within 120 days after the date of issue.

Answer 11

- a. The document containing the bye-laws of the company is known as **Articles of Association**.
- b.

Basis of Difference	Memorandum of Association (MOA)	Articles of Association (AOA)
Objectives	States the intention for which the company was created	States the rules of internal management of the company
Position	Main document of a company and subordinate to the Companies Act	Subsidiary document of a company—subordinate to both MOA and the Companies Act

Answer 12

The process that Kumar is referring to is **e-banking**. E-banking is a system wherein bank services are processed through the Internet. These services include transferring money, checking accounts, opening fixed deposits, applying for loans and paying bills.

Advantages of e-banking:

- Provides **round the clock services** to customers
- **Transactions can be made by consumers** from any place like from their house and office through a smartphone
- Gives **security and freedom to consumers** by letting them travel cashless
- Provides a **sense of financial satisfaction to consumers** as the details of all the transactions are available to them at their finger tips

Answer 13

Yes, the friend has full right to apply for the insurance of the factory even though he is not the owner. This is due to the principle of insurable interest, i.e. the friend has financial interest in the factory.

The principle states that the insured should have some kind of interest in the thing or person for which the insurance is taken. This is a necessary condition, as without this it would become a fraudulent activity and not acceptable under law.

Answer 14

Outsourcing is the process wherein non-core activities are given to agencies experienced enough to handle them. It has concerns such as confidentiality, sweat shopping, resentment in home countries and ethical concerns.

Companies in developed countries follow the practice of outsourcing non-core activities to agencies in underdeveloped countries. This is done to reduce the cost and to exploit the

abundant cheap labour available in underdeveloped countries. In these countries, wage discrimination on the basis of gender, lax labour laws and child labour are common phenomena. Thus, outsourcing raises ethical concerns when work is outsourced to underdeveloped countries.

Answer 15

- a. Stores such as *Spencer* and *Big Bazaar* fall under **departmental stores**.
- b. Features of departmental stores:
 - i. They tend to **satisfy the needs of all customers**, thereby saving their time and energy to purchase different products from different places.
 - ii. They are specially **located at central or well-known places** so that they can attract customers to their stores.
 - iii. They are usually **formed as a Joint Stock Company** managed by a Board of Directors, headed by a Managing Director, assisted by a General Manager and several sub-managers.

Answer 16

Social responsibility of business refers to an obligation of a businessman to act for the benefit of society. It is essential for the business to assume social responsibility as business does not run on its own; it requires resources of society to carry on its activities. It is essential that a healthy relationship is maintained between society and the business.

Arguments for social responsibility:

1. **Existence and growth:** The main reason for existence of business is to provide goods and services which satisfy human wants. The main motive of business is profit maximisation, but it also needs to fulfil its responsibility towards society. This is because fulfilling social obligation helps in the growth of business.
2. **Long-term interest of an organisation:** A business organisation by fulfilling its social obligation tends to build a good image and earn maximum amount of profits. On the other hand, if business fails to comply with its responsibilities towards customers, workers, government officials and investors, then it tends to lose customers and reputation in the market. Thus, long-term interest of an organisation is in realising social responsibilities.
3. **Avoiding government regulation:** Every business faces government intervention and regulation which limit its freedom. Thus, it is best for businesses to voluntarily assume social obligations so that government intervention can be avoided.
4. **Resource availability:** Business organisations can help in solving problems effectively as they have the necessary human resources and finance. They have the pool of managerial talent and capital resources which can prove beneficial in tackling society's problems.

Answer 17

There is a need for outsourcing because

- i. **Focussed attention:** Outsourcing helps companies to focus on key areas or activities which are crucial for their success. This helps them to use their resources to the optimum.
- ii. **Quest for excellence:** This enables companies to pursue excellence, first by working on their core competencies in which they excel and second by assigning non-core tasks to those who excel in performing them.
- iii. **Reduced cost:** Work is outsourced to professional agencies with ample amount of experience in those specific tasks. These agencies perform the same tasks for several companies. Thus, client organisations benefit from cost advantage which arises out of increased output of production (economies of scale). This results in cost reduction for client organisations, thereby being cost effective.
- iv. **Fillip to economic development:** Offshore outsourcing (outsourcing work to less developed countries) by different countries helps trigger entrepreneurship, employment and exports in the host countries. Example: The IT sector in India grew because of outsourcing projects from various countries.

Answer 18

I will suggest Mr Jack to set up his own *multiple shops* because

- i. The company is large sized, so *finance required for establishing multiple shops can be easily arranged* and will help in getting rid of middlemen.
- ii. Absence of middlemen provides opportunity for manufacturers to be in *direct touch with customers*. This helps manufacturers in selling their goods at reasonable prices.
- iii. Products sold by the company are *durable products*. Thus, it would be better for them to open multiple stores.

Answer 19

Economic activities involve production, distribution, exchange and consumption of goods and services. Our livelihood depends on these activities.

Different types of economic activities are

- i. **Business:** It refers to activities performed regularly and concerned with production, purchase, sale and supply of goods or services. The main motive of any business is to earn maximum amount of profit.
- ii. **Profession:** A profession is an occupation where individuals with specialised knowledge and qualification provide specialised services in the relevant field to the masses to earn a living. Each profession is distinct from the other.
- iii. **Employment:** People are hired to work regularly by organisations. Salaries or wages are paid to employees in exchange for the work they provide to a company.

Answer 20

- a. Global enterprise or multi-national company can be chosen by Mr Vinay. It operates on a global scale wherein its industrial and marketing operations take place through a network of branches in various countries.
- b. Global enterprise is considered superior to other types of organisations because of the following reasons:
 - i. **Funds availability:** Business operations spread out over the world generate high credibility for global enterprises. This brings them in a position where they use their goodwill to borrow funds from international organisations. In addition, they are able to generate huge capital/funds for themselves from sources such as equity shares, bonds and debentures. This helps them to sustain any financial crisis.
 - ii. **Risk diversification:** These companies operate in different parts of the world. They operate through a network of branches and subsidiaries in host countries. Thus, they are able to compensate the losses faced in a country with the profits gained in other countries.
 - iii. **Advanced technology:** Global enterprises invest large amounts in research and development of technology. This helps them to conform to international standards as they possess superior techniques and methods of production.
 - iv. **Marketing strategies:** These enterprises use aggressive marketing strategies to increase their sales. They have reliable and up-to-date market information which makes their strategies more effective. Also, their advertising and sales promotions are effectual on consumers.

Answer 21

Incentives and schemes which the government has announced for promoting the country's exports are

1. **Duty drawback scheme:** Goods not manufactured for domestic consumption can receive exemption from excise and custom duties. Thus, if a company exporting its products pays excise duty, then its money is usually refunded. In custom duty drawback, the exporter is entitled to receive a refund for the payment of custom duty on imported goods.
2. **Export manufacturing under bond scheme:** Goods are produced without paying excise and other duties. To avail this facility, firms need to provide an undertaking/bond that goods are manufactured for export purposes.
3. **Exemption from payment of sales taxes and income tax:** Goods to be exported are not subject to sales tax. In addition, income earned from exporting goods has been exempted from income tax. However, exemption from income tax is available only to 100% Export-Oriented Units (EOUs) and units set up in Export Processing Zones (EPZs)/Special Economic Zones (SEZs) for selected years.
4. **Advance licence scheme:** It is a scheme which allows the exporter to have duty-free supply of domestic and imported inputs which are necessary for the

manufacturing of export goods. These kinds of licences are available to exporters exporting goods on a regular or *ad hoc* basis.

5. **Export Promotion Capital Goods Scheme (EPCGS):** This scheme encourages the import of capital goods for export production. It allows export companies to obtain/import capital goods at cheap rates of customs duty. However, it is subjected to actual user condition and fulfilment of specified export obligations.

Answer 22

Sources from which a large industrial enterprise can raise capital for financing modernisation and expansion are

1. **Equity share:** It is the most important source of raising long-term capital. Capital raised from equity shares is called ownership capital or owner's funds. Thus, equity shareholders are the owners of the company.
2. **Retained earnings:** For the future expansion of the company, part of the profits is retained in the organisation instead of distributing profits completely in the form of dividends among shareholders.
3. **Preference shares:** These shares get preference over equity shares regarding the repayment of capital and payment of earnings after a certain specified period of time.
4. **Debentures:** They are one of the common securities issued for securing long-term financial capital of companies. A fixed rate of interest is paid to debenture holders at specified intervals.
5. **Loans from banks and financial institutions:** Banks and financial institutions advance money to firms. The interest rate along with the loan amount is stated in advance while taking a loan.

Answer 23

- a. The Government of India has defined small-scale industries as an industrial undertaking wherein investment in plant and machinery is less than rupees one crore. However, the investment in plant and machinery for small industries which concentrate on export promotion and modernisation should not exceed rupees five crore.
- b. Role played by small business in rural India:
 - i. It ***generates employment opportunities*** for rural households which in turn give them an extra source of income. This helps in the development of weaker sections of society.
 - ii. As soon as rural people have the opportunity of employment, it encourages them to ***address problems of poverty*** and improve their economic condition.
 - iii. Many rural people migrate to urban areas in search of employment. However, when opportunities are easily available in rural areas, it would help in ***preventing migration*** of rural people to urban areas.

- iv. It plays an important role in ***equal distribution of income*** as small business provides employment opportunities to poor rural people and helps in increasing their income.

Answer 24

Basis	Joint Hindu Family	Partnership
Formation	Registration is not compulsory; minimal legal formalities	Registration is optional; agreement between partners
Number of members	Minimum should be two; maximum has no limit	Minimum two; twenty for ordinary business, ten for banking business
Capital contribution	Comes from ancestral property	Limited, but more than sole proprietorship
Liability	Karta: Unlimited liability, Others: Limited liability	Unlimited liability for all partners
Decision making	Karta is the decision maker; his decision is binding	Jointly, all partners are needed to take a decision
Division of profit	Equally divided among members	Divided among partners according to the ratio mentioned in the agreement

Answer 25

- a. Services are intangible economic activities which are consumed at the point of sale. These activities provide satisfaction of wants but may not necessarily involve sale of product. Also, these kinds of activities cannot be kept in stock.
- b. Characteristics of services:
 - i. **Intangible:** Services cannot be touched and seen but are felt and experienced. The quality of the service cannot be judged before buying/experiencing the service. Thus, it becomes essential for the service provider to offer an optimal service experience which satisfies customers.
 - ii. **Inconsistency:** Needs of customers are different. Hence, services provided to each customer require customisation. Thus, services offered vary for customers. This results in inconsistency of services which becomes an important characteristic of the service.

- iii. **Inventory:** One of the important features of a service is that it cannot be kept aside to be consumed in the future. The need for maintaining an inventory does not exist. Hence, if the service is not used at the right time, then it results in the loss of that service.
- iv. **Inseparability:** Service is an activity whose production and consumption happen at the same place. Thus, they are inseparable in nature.
- v. **Involvement:** Involvement of the service user and service provider is a must to consume or provide a service.

Answer 26

- a. Before Anand Pvt. Ltd. can start their international business, it is mandatory for them to obtain an Import Export Code (IEC) number. This number can be acquired by applying to the Regional Import-Export Licensing Authority in the recommended manner. Also, they need to submit necessary documents along with the application. These are
 - i. Details involving the exporter's personal records
 - ii. Bank receipt of the payment of fees to obtain IEC number
 - iii. Bank certificates
 - iv. Declaration stating that care would be taken not to export products in the caution list

After the licensing authority is satisfied with the documents and formalities, they issue the IEC number to the concerned exporter.
- b. Problems faced by the firm while conducting business internationally:
 - i. **Legal procedure:** Since the business is conducted internationally, the legal procedure tends to be intricate and lengthy. However, there is a need to obtain prior permission from the government of the concerned nation before conducting any kind of trade. This includes time-consuming activities such as filling of documents, converting of currency and getting customs clearance.
 - ii. **Restrictions:** Unlike internal trade, international business requires money, time and licences to carry out business. This is because the government of respective countries have imposed restrictions on items to be imported and exported, thereby increasing the requirement of licences.
- c. Benefits received by the country due to expansion:
 - i. **Earning of foreign exchange:** As trade takes place internationally, it allows the country to earn in foreign currency which can result in greater profit. This currency can be used to import capital goods and advanced technology.
 - ii. **Increase in standard of living:** Absence of international trade would have resulted in no exchange of products from one country to another. As a result, people of underdeveloped and developing nations would not get an opportunity to use products from developed nations. This would deprive the people from using those products, thereby preventing them from improving their standard of living.

Answer 27

- a. **Public deposits** are raised from the public by organisations to finance both medium and short-term financial requirements.

Merit:

Public deposits are a **convenient source** of acquisition of business finance with only a few regulations involved and no cumbersome legal formalities.

Demerit:

Uncertain conditions of the economy affect people which make them **unwilling to invest much** in the concerned company. Being called an unsecured debt, depositors have to **bear the risk of money loss in case of** the company's failure.

- b. **Retained earnings** are part of the profits retained in the organisation.

Merit:

No acquisition cost is involved as these funds are raised internally and do not depend on any outside resource.

Demerit:

Failure in recognising the opportunity cost of retained earnings will result in the funds **being used sub-optimally**.