B. K. BIRLA CENTRE FOR EDUCATION, PUNE

(SENIOR SECONDARY CO-ED DAY CUM RESIDENTIAL SCHOOL, AFFILIATED TO CBSE NEW DELHI)

B K BIRLA CENTRE FOR EDUCATION

INDIAN PUBLIC SCHOOLS' CONFERENCE

MID TERM EXAMINATION, 2023-24

ANSWER KEY TO MID TERM EXAM XI-COMM – BUSINESS STUDIES

1. The main purpose of economic activities is________________. **(1)**

A To provide free services **B To earn more and more profit**
C To earn less profit D To avoid loss

2. Which of the following is an economic activity? **(1)**

A Religious Activities B Social Activities
C Profession D Patriotic Activities

3. Which of the following is not a characteristic of business? **(1)**

A Creation of utilities B Regularity of dealing
C Entrepreneurship **D Non-economic activities**

4. Which of the following is not concerned with profession? **(1)**

A Manufacturing goods and services B Specialised body of knowledge and skill
C Formal Training D Code of conduct

5. The maximum number of partners allowed in the partnership business are **(1)**

A Two **B Fifty** C No limit D Twenty

6. Profits do not have to be shared. This statement refers to **(1)**

A Company B Partnership C Joint Hindu family business **D Sole proprietorship**

7. The capital of a company is divided into number of parts each one of which are called **(1)**

A Interest B Profit C Share D Dividend

8. The Head of the joint Hindu family business is called **(1)**

A Director **B Karta** C Manager D Proprietor

9. Provision of residential accommodation to the members at reasonable rates is the objective of

A Producer's cooperative B Credit cooperative
C Housing cooperative D Consumer's cooperative **(1)**

10. A partner whose association with the firm is unknown to the general public is called **(1)**

A Secret partner B Active partner C Sleeping partner D Nominal partner

11. Which of the following comes under public sector? **(1)**

A All of these B Statutory corporation
C Government companies D Departmental undertakings

12. Which of the following comes under the private sector? **(1)**

A All of these B Partnership C Joint Hindu Family D Sole Proprietorship

13________ not been constituted as autonomous or independent institutions and as much are not independent legal entities. **(1)**

A Departmental undertakings B MHRD

C All India Ratio D Indian Institute of foreign trade

14. Which of the following is not the method of digital payment? **(1)**

A Debit card B Credit card C ATM **D Cash credit**

15. What is the full form of RTGS? **(1)**

A Real Time Great Solution B Rupee Transfer Gross Settlement

C Real Time Gross Settlement D Regular Transfer Gross Settlement

16. Which of the following is not an example of telecom services? **(1)**

A Postal services B Mobile services C Cable services D Radio paging services

17. Cheques which are to be deposited only in the payees account are: **(1)**

A Order cheque B Blank cheque **C Crossed cheque** D Bearer cheque

18. Which of the following is not the benefit of E-commerce to the business organization: **(1)**

A Increased sales, lower investment B Convenience and speed

C Low risk involved **D Personal touch**

19. ____________ refers to contracting out some of its activities to third party which was earlier performed by the organisation. **(1)**

A BPO B E-Commerce **C Outsourcing** D E-Banking

20. Both Sellers and buyers are business firms, under ______type of e-commerce transaction. **(1)**

A B2B Commerce B C2B Commerce C B2C Commerce D C2C Commerce

21. The forms of organisation which a public enterprise may take are as follows: **(3)**

(i) Departmental undertaking

(ii) Statutory corporation

(iii) Government company

1 Departmental Undertakings: This is the oldest and most traditional form of organising public enterprises. These enterprises are established as departments of the ministry and are considered part or an extension of the ministry itself. The Government functions through these departments and the activities performed by them are an integral part of the functioning of the government. They have not been constituted as autonomous or independent institutions and as such are not independent legal entities. They act through the officers of the Government and its employees are Government employees. These undertakings may be under the central or the state government and the rules of central/state government are applicable. Examples of these undertakings are railways and post and telegraph department.

2. Statutory Corporations: Statutory corporations are public enterprises brought into existence by a Special Act of the Parliament. The Act defines its powers and functions, rules and regulations governing its employees and its relationship with government departments.

This is a corporate body created by the legislature with defined powers and functions and is financially independent with a clear control over a specified area or a particular type of commercial activity. It is a corporate person and has the capacity of acting in its own name. Statutory corporations therefore have the power of the government and considerable amount of operating flexibility of private enterprises

3. Government Company: A government company is established under The Companies Act, 2013 and is registered and governed by the provisions of The Act. These are established for purely business purposes and in true spirit compete with companies in the private sector.
According to the section 2(45) of the Companies Act 2013, 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, or by any state government or partly by Central government and partly by one or more State governments and includes a company which is a subsidiary of a government company. Under the Companies Act 2013, there is no change in the definition of a company.
All provisions of the Act are applicable to government companies unless otherwise specified.

22. Functions of commercial bank: Acceptance of deposits, lending of funds, cheque facility, remittance of funds, allied services. **(3)**

23. Types of Insurance **(3)**
1. Life insurance: Life insurance may be defined as a contract in which the insurer, in consideration of a certain premium, either in a lump sum or by other periodical payments, agrees to pay to the assured, or to the person for whose benefit the policy is taken, the assured sum of money, on the happening of a specified event contingent on the human life or at the expiry of a certain period.
2. Fire insurance: Fire insurance is a contract whereby the insurer, in consideration of the premium paid, undertakes to make good any loss or damage caused by a fire during a specified period up to the amount specified in the policy.
3. Marine insurance: A marine insurance contract is an agreement whereby the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses. Marine insurance provides protection against loss by marine perils or perils of the sea. There are three things involved i.e. ship or hull, cargo or goods and freight.

24. **(i) Registration:** Before online shopping, one has to register with the online vendor by filling-up a registration form. Registration means that you have an 'account' with the online vendor. Among various details that need to be filled in is a 'password' as the sections relating to your 'account', and 'shopping cart' are password protected. Otherwise, anyone can login using your name and shop in your name. This can put you in trouble.
(ii) Placing an order: You can pick and drop the items in the shopping cart. Shopping cart is an online record of what you have picked up while browsing the online store. Just as in a physical store you can put in and take items out of your cart, likewise, you can do so even while shopping online. After being sure of what you want to buy, you can 'checkout' and choose your payment options.
(iii) Payment mechanism: Payment for the purchases through online shopping may be done in a number of ways:

- Cash-on Delivery (CoD)
- Credit or Debit Cards
- Cheque
- Net-banking Transfer
- Digital Cash **(3)**

25. Types of hundi are as follows: **(4)**
1. Shah Jog Hundi: Payable to a respectable man
2. Jokhmi Hundi: It is a type of hundi which is applicable to goods transported by ship
3. Nam Jog Hundi: Payable to the named party or his order
4. Dhani Hundi: Payable to the owner of hundi
5. Jawabi Hundi: A type of hundi that resembles a money order.

6. Darshani Hundi: Payable on sight
7. Miadi Hundi or Muddati Hundi: Hundi that is payable after a specified period of time

26. The following are the **merits** of a sole proprietorship: **(4)**
1. Sole proprietorship business is easy to set up as it requires very few legal formalities. Similarly, the winding up of the sole proprietorship business is free from hassles.
2. Decision-making is quick, as only one person is responsible for decision-making.
3. The owner is the one who reaps all benefits and also all losses which arise from the business.

The following are the **limitations** of a sole proprietorship:
1. Amount of capital invested in a business will be less as only one person is running the business.
2. All the responsibilities of the business are managed by one person which can hamper the business due to a lack of expert knowledge.
3. The business is impacted in cases of illness or death of the proprietor. Hence, stability is uncertain.

27. **(a) Perpetual succession**: The meaning of perpetual succession is that a company will continue to function till it is not made to dissolve by an act of law. It also means that a company will not stop functioning in the event of death, insolvency or retirement of one or more of its members.
(b) Common seal: Common seal is the official signature of the company that can be used by its board members to sign all the major documents. As the company is an artificial setup created by law, a common seal helps authenticate the documents, which can be used as evidence in a court of law.
(c) Karta: Karta is the head of the Hindu Undivided Family. A Karta title is given to the eldest member of the family. He is the one who has the ultimate decision-making power in the family in terms of business. As a head of the family and business organisation, a Karta is bestowed with unlimited liabilities and supreme decision-making power in the family.
(d*)* Artificial person: A company or business entity is referred to as an artificial person because, unlike human beings, it cannot walk, sleep, breathe and eat. However, it is bound by the law as it is created as a legal entity. It can sue or get sued by other firms. **(4)**

28. Principles of Insurance **(4)**
Utmost good faith: A contract of insurance is a contract of uberrimae fidei i.e., a contract found on utmost good faith. Both the insurer and the insured display good faith towards each other in regard to the contract.
Insurable interest: The insured must have an insurable interest in the subject matter of insurance. Insurable interest means some pecuniary interest in the subject matter of the insurance contract.
Indemnity: According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against.
Proximate cause: When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is a natural consequence.
Subrogation: It refers to the right of the insurer to stand in the place of the insured, after settlement of a claim, as far as the right of the insured in respect of recovery from an alternative source is involved.
Contribution: As per this principle it is the right of an insurer who has paid claim under an insurance, to call upon other liable insurers to contribute for the loss payment.
Mitigation: This principles states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property.

29. Banks can be classified into the following: **(4)**
1. Commercial banks
2. Cooperative banks
3. Specialised banks
4. Central bank

(i) Commercial Banks: Commercial banks are institutions dealing in money. These are governed by Indian Banking Regulation Act 1949 and according to it banking means accepting deposits of money from the public for the purpose of lending or investment. There are two types of commercial banks, public sector and private sector banks.

Public sectors banks are those in which the government has a major are a number of public sector banks like SBI, PNB, IOB etc., and other private sector banks represented by
HDFC Bank, ICICI Bank, Kotak Mahindra Bank and Jammu and Kashmir Bank.

(ii) Cooperative Banks: Cooperative Banks are governed by the provisions of State Cooperative Societies Act and meant essentially for providing cheap credit to their members. It is an important source of rural credit, i.e., agricultural financing in India.

(iii) Specialised Banks: Specialised banks are foreign exchange banks, industrial banks, development banks, export-import banks catering to specific needs of these unique activities. These banks provide financial aid to industries, heavy turnkey projects and foreign trade.

(iv) Central Bank: The Central bank of any country supervises, controls and regulates the activities of all the commercial banks of that country. It also acts as a government banker. It controls and coordinates currency and credit policies of any country. The Reserve Bank of India is the central bank of our country.

30. BENEFITS OF e-BUSINESS **(4)**

(i) Ease of formation and lower investment requirements
(ii) Convenience.
(iii) Speed
(iv) Global reach/access
(v) Movement towards a paperless society

31. Ans **(6)**

Basis of comparison	**Business**	**Profession**	**Employment**
Mode of Establishment	Entrepreneur’s decision and other legal formalities, if felt necessary	Certificate of practice and a membership of a professional body	Service agreement and appointment letter
Nature of Work	Providing goods and services to public	Providing expert and personalized services	Working as per rules of service or service contract
Risk involved	Uncertain risk is there as profit and loss cannot be determined beforehand	Some risk can be there	Little or no risk
Transfer of ownership	It can be transferred by following certain formalities.	No transfer possible as degree and certification received for self	No transfer possible
Reward or remuneration	In the form of profit	In the form of fees for consultation	In the form of a salary

Code of conduct	There is no code of conduct as such	Professional code of conduct must be followed	Code of conduct as per rules of the organisation
Qualification	No minimum qualification required	Qualification as prescribed by the awarding body	Qualification and training as per the employer's direction

32. The partnership deed generally includes the following aspects: **(6)**
• Name of firm
• Nature of business and location of business
• Duration of business
• Investment made by each partner
• Distribution of profits and losses
• Duties and obligations of the partners
• Salaries and withdrawals of the partners
• Terms governing admission, retirement and expulsion of a partner
• Interest on capital and interest on drawings
• Procedure for dissolution of the firm
• Preparation of accounts and their auditing
• Method of solving disputes

33. The definition of a joint stock company highlights the following features of a company. **(6)**

(i) Artificial person: A company is a creation of law and exists independent of its members. Like natural persons, a company can own property, incur debts, borrow money, enter into contracts, sue and be sued but unlike them it cannot breathe, eat, run, and talk and so on. It is, therefore, called an artificial person.

(ii) Separate legal entity: From the day of its incorporation, a company acquires an identity, distinct from its members. Its assets and liabilities are separate from those of its owners. The law does not recognise the business and owners to be one and the same.

(iii) Formation: The formation of a company is a time consuming, expensive and complicated process. It involves the preparation of several documents and compliance with several legal requirements before it can start functioning. Incorporation of companies is compulsory under The Companies Act 2013 or any of the previous company law, as state earlier. Such companies which are incorporated under companies Act 1956 or any company law shall be included in the list of companies.

(iv) Perpetual succession: A company being a creation of the law, can be brought to an end only by law. It will only cease to exist when a specific procedure for its closure, called winding up, is completed. Members may come and members may go, but the company continues to exist.

(v) Control: The management and control of the affairs of the company is undertaken by the Board of Directors, which appoints the top management officials for running the business. The directors hold a position of immense significance as they are directly accountable to the shareholders for the working of the company. The shareholders, however, do not have the right to be involved in the day-to-day running of the business.

(vi) Liability: The liability of the members is limited to the extent of the capital contributed by them in a company. The creditors can use only the assets of the company to settle their claims since it is the company and not the members that owes the debt. The members can be asked to contribute to the loss only to the extent of the unpaid amount of share held by them. Suppose Akshay is a shareholder in a company holding 2,000 shares of Rs.10 each on which he has already paid Rs. 7 per share. His liability in the event of losses or company's failure to pay debts can be only up to Rs. 6,000—the unpaid amount of his share capital (Rs. 3 per share on 2,000 shares held in the company). Beyond this, he is not liable to pay anything towards the debts or losses of the company.

(vii) Common seal: A company may or may not have a common seal. If a company has a common seal, it must be affixed to the documents such as agreements of a company. If a company does not have a common seal then the person signing the document should be authorised by a board's resolutions.

(viii) Risk bearing: The risk of losses in a company is borne by all the shareholders. This is unlike the case of sole proprietorship or partnership firm where one or few persons respectively bear the losses. In the face of financial difficulties, all shareholders in a company have to contribute to the debts to the extent of their shares in the company's capital. The risk of loss thus gets spread over a large number of shareholders.

34. (a) Global Enterprises: They are characterised by their huge size, large number of products, advanced technology, marketing strategies and network of operations all over the world. Global enterprises thus are huge industrial organisations which extend their industrial and marketing operations through a network of their branches in several countries. Their branches are also called Majority Owned Foreign Affiliates (MOFA). These enterprises operate in several areas producing multiple products with their business strategy extending over a number of countries. They do not aim at maximising profits from one or two products but instead spread their branches all over. They have an impact on the international economy also. This is evident from the fact that the sales of top 200 corporations were equivalent to 28.3 percent of the world's GDP in 1998. This shows that top 200 MNCs control over a quarter of the world economy. Therefore, MNCs are in a position to exercise massive control on the world economy because of their capital resources, latest technology and goodwill. By virtue of this, they are able to sell any product in different countries. Some of these corporations may be slightly exploitative in nature and concentrate more on selling consumer goods and luxury items which are not always desirable for developing countries.

(b) Joint ventures: Joint ventures may mean many things, depending upon the context we are using it in. But in a broader sense, a joint venture is the pooling of resources and expertise by two or more businesses, to achieve a particular goal. The risks and rewards of the business are also shared. The reasons behind the joint venture often include business expansion, development of new products or moving into new markets, particularly in another country.

(c) Public Private Partnership: It is defined as a relationship between public and private entities in the context of infrastructure and other services. Under the PPP model, public sector plays an important role and ensures that the social obligations are fulfilled and sector reforms and public investment are successfully met. The government's contribution to PPP is in the form of capital for investment and transfer of assets that support the partnership in addition to social responsibility, environmental awareness and local knowledge. The private sector's role in the partnership is to make use of its expertise in operations, managing tasks and innovation to run the business efficiently. Sectors in which PPPs have been completed worldwide include power generation and distribution, water and sanitation, refuse disposal, pipelines, hospitals, school buildings and teaching facilities, stadiums, air traffic control, prisons, railways, roads, billing and other information technology systems, and housing. **(6)**