

**Sample Paper**  
(2018-19)

Date : \_\_\_\_\_  
Duration : : 3 hours  
Max. Marks : 90

**Business Studies**

**Class**  
**XI**

**General Instructions:**

- I. Question number 1 – 8 carry one mark each, answers to questions carrying one mark maybe from one word to one sentence.
- II. Question number 9 – 14 carry 3 marks each, answers to questions carrying 3 marks maybe from 50 to 75 words.
- III. Question number 15 – 19 carry 4 marks each and question number 20 – 23 carry 5 marks each, answers to questions carrying 4-5 marks maybe about 150 words.
- IV. Question number 24 – 27 carry 6 marks each, answers to questions carrying 6 marks maybe about 200 words.
- V. Attempt all parts of a question together.

1. Amit is a class 11 commerce student, having good knowledge of characteristics of business. He is suggesting one of his friend that business is the bed of roses and there is no harm to adopt in it as a career. Do you think Amit is right? Give reason. **[1]**
2. Define indent. **[1]**
3. What is multiple option deposit account? **[1]**
4. Give any two examples of chain stores. **[1]**
5. Supply of quality product at reasonable price is which type of social responsibility? **[1]**
6. Enumerate any two financial institutions set up by the government for small industries in backward and hilly areas. **[1]**
7. Explain external source of finance and give one example. **[1]**
8. Mention any two examples of franchiser. **[1]**
9. ABC Ltd. Deals in construction of buildings, towers, dams and roads since birth of the company. Recently company got huge orders of 10 buildings one dam and 5 towers for offices. So management of the company decided to purchase its own trucks for supply of raw material under newly opened division for transport. Moreover company is now providing transport/ carriage facility to outsiders (other companies) on hire basis. Identify and state two types of industrial activities from the above para by quoting the lines. **[3]**
10. Name the followings **[3]**
  - (a) A person who does not bear the losses of the partnership.
  - (b) A person who contributes capital, participate in the business but whose name/ identity is not disclosed to outsiders.
  - (c) A person who contributes capital but does not take active part in the business of the firm.
11. Identify the forms of public sector enterprise in the following cases. **[3]**
  - (a) LIC (Life Insurance Corporation) is an example of this form of enterprise.
  - (b) These enterprises are set up under a special Act of parliament.
  - (c) Army is an example of this form of enterprise.
  - (d) Minimum 51% paid up share capital is held by the government
  - (e) Government enjoys maximum autonomy in all management activities
  - (f) Reserve Bank of India is an example of this form of enterprise.

12. M/S ABC limited does retail business of paint at a very large scale. The firm has to pay a lot of attention to advertisement. The owners of the firm are aware that if they spend more time on advertisement, some other important activities are left pending. One of the partner of the firm suggested that if the job of the advertisement is handed over to some advertising company, they might be relieved of that important activity. By doing so they will get benefit of a specialisation and their expenditure on this activity will be less also. The firm implemented this which gave favourable results. **[3]**
- (a) Identify the emerging mode of business discussed in the above para
- (b) Also explain any three other non core business activities which can be done from outside organisations.
13. What is meant by fixed capital? State any two factors affecting the fixed capital requirement of a firm. **[3]**
14. "In all types of insurance (Life, Fire & Marine) insured must have insurable interest both at the time of insurance and at the time of loss." Do you agree? Give reasons in support of your answer. **[3]**
15. Mohan and Sohan were college friends decided to start a business for import and export of dry fruits from neighbouring countries, for which they opened a company named 'Fruits n Nuts' limited. To start the business company issued shares of ₹ 1 crore to the public and also took a bank loan of ₹ 80 lakh from Punjab National Bank. Due to heavy losses in the successive years they decided to wind up the business and shutdown the company. But on the other hand Bank was asking his loan amount back while company replied that it could not repay the amount of bank loan. To recover the loan amount, bank filed a case against 'Fruits n Nuts' limited in the court. The court held that the shareholders of the company were not liable to repay the loan as they had no unpaid amount on shares.
- (a) Is the court's decision justified? Give reason in support of your answer.
- (b) Which characteristics of the company form of organisation protected Mohan and Sohan? Explain **[4]**
16. Amit a computer graduate having lots of experience of manufacturing computers wanted to boost up the business and capture the market but he had no sufficient funds for manufacturing computer sets and laptops. Amit put the proposal in front of his friend Gaurav who is financially strong but Gaurav did not have experience of business. Gaurav agreed to join the business with Amit and finance the business.
- After few days business grows up and touch the sky.
- (a) Identify the form of the business before joining of Gaurav and after his joining.
- (b) Quoting the relevant lines from the above para explain two limitations of the previous form of the business before joining of Gaurav.
- (c) List the advantages **[4]**
17. Identify the source of finance highlighted in the following cases:
- (a) This source avoids risk of obsolescence and assets can be replaced as and when needed.
- (b) It is a permanent source of capital and is not redeemed during the life of the company.
- (c) It facilitates the purchase of goods and services without making immediate payment.
- (d) In case of winding up of the company, the capital is refunded after payment of debentures but before payment of equity shareholders.
- (e) This source put a permanent obligation on the company to pay Interest every year irrespective of profits.
- (f) Their holders enjoy right to vote and right to receive dividend.
- (g) This source is also known as ploughing back of profits.
- (h) Only financially sound firms with good reputation can issue this security. **[4]**
18. Apna electronics private limited deals in electronics and electrical items live TV, LED, LCD, washing machine, fridge, oven etc. of daily domestic usage. Its business is spread throughout Delhi NCR and metro cities. The companie's 50 stores are providing their services to the residents of Delhi NCR and metro cities. All the business activities of this company are done

through internet. Its main activities are obtaining information about goods, receiving orders of goods, making payments, receiving payments, inventory management, product development etc. The use of internet in the business activities has resulted into reduced cost of business transactions. The customer also can shop sitting at home or office. They can access the internet to buy goods and services. The use of internet has considerably reduced the cost and dependence on paperwork for the company. [4]

- (a) Which system of business is being followed by the company Apna electronics private limited.
- (b) State any three benefits of the system of the business identified in (a) by quoting the lines from the above para.

19. Amit and Sumit are the partners of a firm manufacturing tyres. Their main motive is maximising the profits. For this they are charging high prices from the customers while supplying low quality products. They do not provide good working condition to the workers and do not pay them reasonable remuneration. Even they did not bother about the pollution caused by their factory. As a result the efficient employees started leaving the organisation. The government put a heavy penalty for causing pollution and even the number customers gradually decreased day by day.

- (a) What is lacking by the partners?
- (b) What should be done to resolve the problem? [4]

20. Mr. Singh is working as a government teacher in a college. He does not discriminate between the rich and the poor while teaching his students. When he returns home from the college he teaches poor people at free of cost between 5 to 8 p.m. Besides he gives them the information about the employment opportunities. He advises many young students to go to into the fields of advertisement, transportation banking and warehouse sectors. They went into these fields and remarkably succeeded there.

- (a) What type of the activities does Mr Singh perform in college and at at home.
- (b) Explain the auxiliaries to trade mentioned in the above para. [5]

21. Zyka product industries set up food and beverages plant in the rural area of Odisha and opted for labour intensive technique due to easy availability of labour and to provide employment to local people. Board of director decided to invest ₹50 lakhs to acquire plant and machinery, ₹1 crore to buy land ₹25 lakhs to buy raw material and ₹20 lakhs to maintain day to day expenses.

- (a) Name the Act of Industries which is applicable to the above industry.
- (b) Which category of part (a) will the above industry come?
- (c) State the investment limits in this category.
- (d) Write any two values which have been followed by the above company. [5]

22. 'Humanity Support Channel' has established a bank under Public Private Partnership Model. The bank is offering various services to its customers. Their customers are happy and satisfied with the quality of services provided. The bank also spend amount towards building public conveniences.

In the light of the above information answer the following questions: [5]

- (a) Define Public Private Partnership.
- (b) Define 'Recurring Deposit Account' and 'Multiple Option Deposit Account' as types of bank accounts.
- (c) Explain the term 'Bank Draft'.
- (d) List any two values which the bank wants to communicate to the society by discharging its social responsibility.

23. Crystal Clear Ltd. is a reputed company in the field of garments manufacturing in India. The company manufacturers superior quality products. But the management is worried about its future prospects. The company is facing certain problems, [5]

- The domestic prices of its garments are low.
- Under-utilisation of capacity.
- Demand for garments is saturated in domestic market.

A meeting is called by the board of directors to discuss the matter. The members arrived at a conclusion that “Internationalisation of Business” is the final solution to the problems faced by the company. Such internationalisation will result in the benefits to the company. The company believes in assuming social responsibility. Hence, it also favoured ‘Internationalisation of Business’ as it will also lead to benefits for the nation.

- (a) Define internal trade.
- (b) Write any one benefit of international trade each to the nation and firm.
- (c) Identify any two values highlighted in the above case.

**24.** Soham Ltd. is a reputed mobile phone company in the industry having more of equity share capital than long-term debt in its capital structure. It is willing to expand and establish new unit in the backward region and want to train the tribal women in skill development to empower them. It has a huge amount of cash reserve of Rs. 2,000 crores. **[6]**

- (a) What is the status of capital structure of the above company?
- (b) According to you, which source of finance should be used by the company in establishing new units? Give any two reasons in support of your answer.
- (c) Write any two values exhibited by the company.

**25.** Power Grid Limited, Gail Authority of India (GAIL) being government companies provides goods & services at reasonable prices to the public at large. Majority of the shares are held by the government. It is registered under the Companies Act, 1956 and thus possesses all characteristics of a company like separate legal entity, perpetual succession and a common seal. It can sue and be sued, enter into contracts and acquire property in its own name. The Board is appointed by government and its shareholders and is responsible for its efficient management. The company prepares its annual report and submit it to the appropriate authorities. **[6]**

- (a) Which legislation of the Parliament governs the establishment and functioning of these companies?
- (b) Who is the major shareholder and has full control over the management of these companies?
- (c) How much paid up capital is held by the government in these companies?
- (d) In whose name are the shares of these companies purchased?
- (e) How are the employees of these companies appointed?
- (f) How does these companies obtain its funds?

**26.** Zara Impex has received an order to export 8,000 men’s trousers to Mango International Ltd. located in Russia. Zara Impex makes necessary enquiry about the credit-worthiness of Mango International Ltd. and demands a letter of credit from it. After a week, Zara Impex gets a letter of credit issued by the import-er’s bank.

Discuss the six-steps procedure that Zara Impex would need to go through for executing the export order. **[6]**

**27.** Parashar buys goods from wholesaler in his locality and resell it to customers in small lots, as per the requirements of the customers. He generally maintains variety of products and different brands of the products. Parashar even supplies goods at the customer’s doorstep without any extra charges. Even he offer goods on credit to the customers. **[6]**

- (a) Name the nature of business in which Parashar is dealing.
- (b) What are the services he is offering to wholesaler.
- (c) What are the services he is offering to consumer.



## Hints/Solutions to Sample Paper (2018-19)

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### Business Studies

Class

XI

- No, Amit's advice is absolutely wrong, because the objective of business, no doubt, to earn profit but there is risk inherent. One phrase is there "Profit is reward of risk"
- An indent is an order received by an exporter from his overseas buyer.
- MOD account is a combination of saving account and fixed deposit account which provide specific options of the depositors. It is a type of saving deposit account in which amount of deposit in excess of a particular limit gets automatically transferred into fixed deposit.
- (a) Bata shoe store (b) Reliance Fresh
- Ethical responsibility
- (a) National Small Industries Corporation (NSIC) (b) District Industries Centers (DICs)
- Funds that come from outside an organization. External sources of finance might include taking on new business partners or issuing equity or bonds to create long term obligation, or commercial paper to take on shorter term debt.  
**Trade Credit:** For many businesses, trade credit is an essential tool for financing growth. Trade credit is the credit extended to you by suppliers who let you buy now and pay later. Any time you take delivery of materials, equipment or other valuables without paying cash on the spot, you're using trade credit.
- (a) McDonald (b) Burger King
- "ABC Ltd. Deals in construction of buildings, towers, dams and roads" is a Secondary Industries. These industries are concerned with using the materials extracted at the primary stage to produce goods for final consumption.  
"So management of the company decided of purchase its own trucks for supply of raw material under newly opened division for transport. Moreover company is now providing transport/ carriage facility to outsiders (other companies) on hire basis." is a Tertiary or Service Industry  
These industries provide service facilities. It includes transport, banking and warehouse etc.
- (a) Minor partner (b) Secret partner (c) Sleeping partner
- (a) Statutory Corporation (b) Statutory Corporation  
(c) Departmental Undertaking (d) Government Company  
(e) Government Company (f) Statutory Corporation
- (a) The emerging mode of business is- outsourcing of services. In this case the firm is outsourcing the advertising services.  
(b) Three other non core business activities which can be outsourced are:
  - Financial services business firm outsource their financial services like issue of shares issue of debentures raising loan from financial institution investment of funds and securities at sector these financial activities required specialised knowledge which a business firm may not have
  - Courier services courier services work as private specialised postal service there are a number of courier services who carry business letters parcels and goes to various destination at comparatively cheaper rates with safety
  - Customer support service customer support service or after sales service handling diverse complaint from their customers nowadays various business forms do not contain their own service department but the higher the service of some outside agencies who carry out the customer support services.
- Fixed capital is that portion of funds that is invested in long-term assets/ fixed assets like land and buildings, plant and machinery, furniture, etc.  
Factors affecting the fixed capital requirement :
  - Nature of Business :** A trading concern requires less amount of fixed capital as compared to a manufacturing enterprise, as it does not require to purchase plant and machinery, etc.
  - Scale of Operations :** A large scale enterprise (TISCO) needs more fixed capital than a small-scale enterprise (a mini steel plant)
- The given statement is not correct
  - In case of life insurance, the insurance interest must be present at the time of acquiring the policy and is not necessary at the time of maturity

- (ii) In case of fire insurance the insurable interest must exist at the time of contract and also when the claim falls due.
- (iii) In case of marine insurance the insurance interest must exist at the time of loss but not necessary at the time when the policy was taken
15. (a) Yes, the courts decision is justified as the shareholders have limited liability.  
The liability of the members in a company is limited to the face value of the shares held by them. They are not personally liable to pay the debts of the company.
- (b) Separate legal entity: A company is a legal entity distinct from its shareholders directors and promoters. It can carry on business in its own name enters into contract buy and sell and hold property, sue and be sued.
16. (a) Before joining of Gaurav firm was sole proprietorship and after that partnership.
- (b) "he had no sufficient funds for manufacturing computer sets and laptops." and "Gaurav did not have experience of business."
- (c) (i) More funds  
(ii) More managerial skills  
(iii) More risk bearing capacity
17. (a) Lease financing. (b) Equity shares. (c) Trade credit.  
(d) Preference shares. (e) Debentures. (f) Equity shares.  
(g) Retained earnings. (h) Commercial paper.
18. Apna electronics private limited deals in electronics and electrical items live TV, LED, LCD.
- (a) The company is following e-Business since it conducts all business activity using the computer network that is through internet.
- (b) Benefits of e business
- (i) Reduced cost:- "The use of internet in the business activities has resulted in reduce cost of the business transactions".  
e-Business can help reduce advertising cost, exchange of information cost, delivery cost etc.
- (ii) Customer convenience and satisfaction: "The customer also can shop sitting at home or office they can access the internet to buy goods and services" customers need not stand in a queue to talk a salesman or to read catalogue and price list they can access the internet to buy goods and services payment can also be made online. e-Business allows quick response and redressal to customers complaints this helps to increase customer satisfaction.
- (iii) Movement towards a paperless society: "The use of internet has considerable reduced dependence on paperwork for the company". Even the government department and taxation authorities are increasingly following electronic filing of returns and reports.
19. (a) Partners are not fulfilling their social responsibility towards various interest groups for the sake of maximising the profits.
- (b) They should fulfill their responsibilities towards various interest groups.
- (i) Responsibility towards the workers:  
– To pay fair remuneration and salaries  
Provide good working conditions
- (ii) Responsibility towards consumer:  
– To supplier quality of goods and services at reasonable price  
– To avoid unfair trade practices
- (iii) Responsibility towards community:  
– To protect natural environment and avoid bad smokey chimneys, ugly buildings, dirty working conditions
20. (a) Working in a government college an economic activity and teaching to the poor students at home free of cost is a non economic activity.
- (b) (i) Advertisement:- advertisement helps the seller to provide the necessary informations like price and utility about their products to the customers. It removes hindrance of knowledge.
- (ii) Transportation: transport (road rail and shipping) facilitates movement of material from one place to another place. It is because of transportation that a producer can sell his goods in different parts of the world. It creates place utility.
- (iii) Banking banking removes hindrance of finance. It facilitates purchase of raw material, asset and day to day meeting expenses. Necessary funds like loans can be obtained by businessman from commercial banks.
- (iv) Warehouse: It removes hindrance of time by facilitating holding of stock of goods to be sold and when required.
21. (a) MSMED Act, 2006.  
(b) Small Scale Industry.  
(c) More than ₹25 lakhs but does not exceed ₹5 crore.  
(d) Values  
(i) Employment generation. (ii) Balanced regional development.
22. (a) PPP can be defined as an enterprise under which a project or service is funded and operated through a partnership of government and one or more private enterprises.

- (b) Recurring Deposit (RD) Account: Recurring Deposit is a special kind of Term Deposit offered by banks in India which help people with regular incomes to deposit a fixed amount every month into their Recurring Deposit account and earn interest at the rate applicable to Fixed Deposits.  
Multiple Option Deposit Account: Multi Option Deposit Scheme (MODS) are Term Deposits linked to the Savings or Current Account (individual). Unlike normal Term Deposits which are fully liquidated anytime you need funds; you can withdraw from a MODS account in multiples of 1000 as per your fund need.
- (c) Bank Draft: An overdraft occurs when money is withdrawn from a bank account and the available balance goes below zero. In this situation the account is said to be "overdrawn. This facility s give to creditworthiness people.
- (d) Values:  
(i) Fulfilling social responsibility. (ii) Service excellence.
23. (a) Internal trade is also known as 'inland trade' or 'home trade' or 'domestic trade'. It means buying and selling of goods and services within the geographical boundaries of a country. Both buyer and seller belong to the same country.
- (b) (i) Earning of Foreign Exchange: International business helps a country to earn foreign exchange which can be used to import capital goods, technology, petroleum products, pharmaceutical products, etc. which are not available in the country or are relatively costlier if produced domestically. (To the nation)  
(ii) Prospects for Higher Profits: Generally, international business is more beneficial than the domestic business. When the domestic prices are not satisfactory, business firms can earn more profits by selling their products in the international markets where prices are higher. (To the firm)
- (c) Values: (any two)  
(i) Employment generation by expanding its business in overseas markets.  
(ii) Commitment towards the nation by caring valuable foreign exchange for the country and helping in national growth and development.  
(iii) Expansion
24. (a) Sound capital structure.  
(b) Retained earnings.  
Reasons :  
(i) Optimum utilisation of resources, (ii) No dilution of control.
- (c) Value Points  
(i) Balanced regional development,  
(ii) Women empowerment.
25. (a) The Indian Companies Act, 1956 (Now replaced by the Indian Companies Act, 2013)  
(b) Government.  
(c) At least 51%.  
(d) The President of India.  
(e) According to Memorandum of Association and Articles of Association.  
(f) It obtains its funds from government and private shareholdings and can also raise funds in capital markets.
26. Following is the procedure that Zara Impex would need to go through for executing the export order of 8,000 men's trousers:  
(a) Obtaining Export Licence:  
(b) Obtaining Pre-shipment Finance and Production or Procuring:  
(c) Pre-shipment Inspection, Excise Clearance and Obtaining Certificate of Origin:  
(d) Reservation of Shipping Space, Packing, Forwarding and Insurance:  
(e) Customs Clearance and Port Formalities:  
(f) Preparation of Invoice and Securing Payment:
27. (a) Retail trade  
(b) (i) Collecting market information. (ii) Enabling large scale production.  
(c) (i) Wide selection. (ii) After sales services.  
(iii) Provide credit facilities.

