

KOTHARI INTERNATIONAL SCHOOL, NOIDA
ANNUAL EXAMINATION, SESSION: 2025-26
GRADE: 11 SUBJECT: BUSINESS STUDIES (054)
SET A

DAY & DATE: FRIDAY FEBRUARY 06, 2026

MAXIMUM MARKS: 80

NAME: _____

TIME ALLOTTED: 3 HOURS

ROLL NO: _____

MARKING SCHEME

Q1.	<p>Match the various causes of business risk in column I with their respective statement in column II.</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Column I</th> <th style="text-align: left;">Column II</th> </tr> </thead> <tbody> <tr> <td>A. Natural Causes</td> <td>(i) These include flood, earthquake, lightning, etc.</td> </tr> <tr> <td>B. Human Causes</td> <td>(ii) These include such unexpected events, like dishonesty of employees.</td> </tr> <tr> <td>C. Economic Causes</td> <td>(iii) These include uncertainties relating to demand for goods, competition, price, etc.</td> </tr> </tbody> </table> <p>A. (i) (ii) (iii) B. (ii) (i) (iii) C. (iii) (ii) (i) D. (ii) (iii) (i)</p>	Column I	Column II	A. Natural Causes	(i) These include flood, earthquake, lightning, etc.	B. Human Causes	(ii) These include such unexpected events, like dishonesty of employees.	C. Economic Causes	(iii) These include uncertainties relating to demand for goods, competition, price, etc.	(1)
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Q2.	<p>It was in the early 1970s, when Sh. M.P. Sharma started the journey towards a brighter future. Then the small sweet shop has now flourished into a family owned enterprise which consists of many outlets in Delhi. These outlets serve sweets and cuisines spanning Indian, Continental, Chinese, South Indian and Regional foods. Mehar Sweets follows the casual dining concept and provides a warm and hospitable ambience in the outlets. Today, Mehar Sweets is a food business group with special ventures focused on Bengali Sweets and Multicuisine. During Diwali season this year, the shop owner employed women and children to meeting urgent orders and paid there marginal and limited salary. He prepared more Bengali Sweets then what he had sold last year. This way, Mehar Sweets generated more than the expected profit. On the basis of the given information about Mehar Sweets, which objective of business is not being fulfilled?</p> <p>A. Organisational B. Social C. Personal D. All of these</p>	(1)								
Q3.	<p>Ayushi did her post-graduation from SIS University, Ukhrul. She had offers to join some reputed firms in metropolitan cities like Delhi and Mumbai. Instead of joining any of these firms, she decided to do some creative work in Ukhrul. She observed that a special type of chilli is grown by the farmers in most of the villages in Ukhrul. This chilli has a distinct flavour and pickle made from this chilli has a taste which may be liked by people from the</p>	(1)								

	<p>rest of the country. But the farmers were neither trained for farming of this kind of chilli on a large scale nor was there a secured market for their produce. Ayushi met 15 like-minded women of the area and formed an organisation for doing the business of pickle manufacturing. Each of them contributed ` 20,000 each towards its capital and were equally responsible for its management. On one hand, they assured the farmers to purchase their chilli and on the other hand, the organisation, with the help of local agriculture department arranged for the training of the farmers. They also employed 15 local unemployed graduate girls for doing the various operations of pickle making. Identify the kind of organisation that was formed by Ayushi.</p> <p>A. Sole proprietorship B. Joint hindu family C. Partnership D. Company</p>	
Q4.	<p>There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below</p> <p>A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A) B. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A) C. Assertion (A) is true, but Reason (R) is false D. Assertion (A) is false, but Reason (R) is true</p> <p>ASSERTION (A) The managing committee elected by members of the cooperative society is generally not professionally equipped to handle the management functions effectively. REASON (R) Cooperative society is unable to employ experts because of their inability to pay them high salaries.</p>	(1)
	<p>Direction Read the following case study and answer questions 5 to 9 on the basis of the same. Sahil, Sarika, Saroj and Sunder are best friends. All of them have obtained the degree in Commerce from the same college. But they got admission in different courses in the university. Now they are doing their jobs in different departments. Mr Sahil got selected for the post of Inspector in the Railways. His father too is working in the railways on a high post. Miss Sarika got selected in the Reserve Bank of India for the post of a Manager. The whole bank is most appreciative of her style of working. Miss Saroj is working on the post of Assistant Accountant in the department of accounts in 'Hindustan Machine Tools'. Her recognition in the company is as a specialist in accounts. Mr Sunder is successfully working in the H.R. Department of 'Tata Motors'. All the four friends are fully satisfied with their respective jobs.</p>	
Q5.	<p>Identify the type of Mr Sahil's enterprise.</p> <p>A. Departmental undertaking B. Government company C. Private sector enterprise D. Statutory corporation</p>	(1)
Q6.	<p>Identify the type of enterprise in which Miss Sarika is working.</p> <p>A. Departmental undertakings</p>	(1)

	<p>B. Government company C. Private sector enterprise D. Statutory corporation</p>									
Q7.	<p>Identify the type of company in which Miss Saroj is working. A. Departmental undertakings B. Government company C. Private sector enterprise D. Statutory corporation</p>	(1)								
Q8.	<p>Customers are required to deposit a specified sum of money every month in his account in case of, which is also known as cumulative time deposit account. A. savings account B. current account C. recurring deposit account D. joint account</p>	(1)								
Q9.	<p>Match the following. Column I Column II</p> <table border="1" style="width: 100%;"> <thead> <tr> <th>Column I</th> <th>Column II</th> </tr> </thead> <tbody> <tr> <td>A. Insurable interest</td> <td>(i) Insurer is liable for the loss only when such loss is caused by the perils, which are stated in the policy</td> </tr> <tr> <td>B. Proximate cause</td> <td>(ii) A contract found on utmost good faith</td> </tr> <tr> <td>C. Utmost good faith</td> <td>(iii) Insured must have economic interest at the time of entering into an insurance contract</td> </tr> </tbody> </table> <p>A. (i) (ii) (iii) B. (i) (iii) (ii) C. (iii) (i) (ii) D. (ii) (i) (iii)</p>	Column I	Column II	A. Insurable interest	(i) Insurer is liable for the loss only when such loss is caused by the perils, which are stated in the policy	B. Proximate cause	(ii) A contract found on utmost good faith	C. Utmost good faith	(iii) Insured must have economic interest at the time of entering into an insurance contract	(1)
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Q11.	<p>Meera wants to buy a new laptop with latest features and want to sell the old laptop before buying the new one. So, she listed her old laptop on quicker. com. She received good response from her post and was able to sell the laptop at good price. Identify the component</p>	(1)								

	<p>of e-business being described above.</p> <p>A. B2B transaction B. B2C transaction C. B2B transaction D. C2C transaction</p>									
Q12.	<p>Match the following. Column I Column II</p> <table border="1"> <thead> <tr> <th>Column I</th> <th>Column II</th> </tr> </thead> <tbody> <tr> <td>A. What is right and what is wrong, is judged on the basis of socially determined standards of human behaviour.</td> <td>(i) Social responsibility</td> </tr> <tr> <td>B. Business enterprises should take some steps like top management commitment, periodical assesment of pollution control programmes etc.</td> <td>(ii) Environment protection</td> </tr> <tr> <td>C. Its obligation to take decisions and perform actions which are desirable in terms of objective and values of our society.</td> <td>(iii) Business ethics</td> </tr> </tbody> </table> <p>A. (iii) (i) (ii) B. (iii) (ii) (i) C. (ii) (i) (iii) D. (i) (ii) (iii)</p>	Column I	Column II	A. What is right and what is wrong, is judged on the basis of socially determined standards of human behaviour.	(i) Social responsibility	B. Business enterprises should take some steps like top management commitment, periodical assesment of pollution control programmes etc.	(ii) Environment protection	C. Its obligation to take decisions and perform actions which are desirable in terms of objective and values of our society.	(iii) Business ethics	(1)
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Q14.	<p>Match the following sources of finance on the basis of their Merits:</p> <table border="1"> <tbody> <tr> <td>i) Trade credits</td> <td>a) only limited amount of funds can be raised</td> </tr> <tr> <td>ii) Public Deposits</td> <td>b) is a convenient and continuous source of funds</td> </tr> <tr> <td></td> <td>c) it is not having any charge on the assets of the company</td> </tr> <tr> <td></td> <td>d) it is difficult for the new businesses to raise the funds</td> </tr> </tbody> </table> <p>(i) a; (ii) c</p>	i) Trade credits	a) only limited amount of funds can be raised	ii) Public Deposits	b) is a convenient and continuous source of funds		c) it is not having any charge on the assets of the company		d) it is difficult for the new businesses to raise the funds	(1)
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Q15.	Identify the capital which is required to purchase fixed assets?	(1)								

Fixed Assets



Ans : Fixed Capital

Q16. In case of service enterprise, where investment in equipment is more than 10 lakhs rupees but does not exceed 2 crore rupees is
A. Micro Enterprise
B. Small Enterprise
C. Medium Enterprise
D. Cottage Industries

Q17. Anuj is the simple rural folk. He believed in power of hardwork and dedication. He dreams big and wants to engage in rendering services enterprises or manufacturing enterprises. Guide Anuj as per MSMED Act, the options available from government. Match the enterprises with capital investment limit in plant and machinery:

Column A	Column B
(i) Micro Manufacturing enterprises	(a) investment between 25 lakh to 5 crore
(ii) Small service enterprises	(b) not more than 10 lakh
(iii) Micro service enterprises	(c) investment between 10 lakh to 2cr
(iv) Small manufacturing enterprises	(d) investment less than 25 lakh

- A.** (i)-a,(ii)-b,(iii)-c,(iv)-d
B. (i)-d,(ii)-c,(iii)-b,(iv)-a
C. (i)-b,(ii)-c,(iii)-d,(iv)-a
D. (i)-c,(ii)-d,(iii)-a,(iv)-b

Q18. Wholesale trade refers to
A. Exporting goods and services
B. Importing goods and services
C. Buying and selling of goods and services in large quantities
D. Buying and selling of goods and services in small lots

Q19. ABC Traders is a wholesale merchant operating in Delhi. It purchases goods like rice, sugar, and pulses in bulk directly from manufacturers and farmers. The wholesaler stores these goods in large warehouses and sells them in smaller quantities to retailers located in different markets. ABC Traders provides services such as warehousing, transportation, grading, and sometimes extends credit facilities to retailers. By performing these activities, the wholesaler

	<p>helps in smooth distribution of goods and reduces the burden on manufacturers. For each question, choose the correct option:</p> <p>A. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)</p> <p>B. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)</p> <p>C. Assertion (A) is true, but Reason (R) is false</p> <p>D. Assertion (A) is false, but Reason (R) is true</p> <p>ASSERTION (A) Wholesalers act as a link between manufacturers and retailers. REASON (R) Wholesalers buy goods in large quantities from manufacturers and sell them in smaller quantities to retailers.</p>	
Q20.	<p>Which of the following is not a document related to export transaction?</p> <p>A. Shipping Bill</p> <p>B. Airway Bill</p> <p>C. Mate's Receipt</p> <p>D. Bill of Entry</p>	(1)
Q21.	<p>"One man control is the best in the world if that man is big enough to manage everything." Explain.</p> <p>A. Quick decision making: sole proprietor in joys considerable freedom in running the business. He can gain creditworthiness in the financial sector and loyalty of the supplier.</p> <p>B. Direct incentive: profit is directly linked with performance. With more efforts, more benefits expected to be achieved. Sole proprietor is a single owner who receive the whole profit which motivates him to work harder for high growth.</p> <p>C. Is information and closure: there are no legal formalities required to be fulfilled except for getting licences and registration certificate in case of businesses relating to health hazards fullstop moreover, there is no separate law governing sole proprietorship business relating to formation and closer.</p>	(3)
Q22.	<p>Nishant & Company (OPC) got its office building insured for ₹10 crore. Due to an electric fire, a part of the building was badly destroyed. The advisor from the insurance company estimated the loss and approved the claim for ₹6 crore. Mr Nishant, the owner of the company, argued with the advisor to approve the claim for the amount of ₹10 crore as he has paid the premium of this amount and not for ₹6 crore. Explain with reason who is justified in the above case.</p> <p>Ans. Insurance advisor is correct as according to principle of indemnity, insurance policy is subject to reimburse actual loss or the insured amount whichever is less. Principle of Indemnity ensures that the insured does not make profit out of insurance policy.</p> <p style="text-align: center;">OR</p> <p>Ram Narain got his building insured against fire hazards for ₹10 crores. While settling with the insurance company for premium, he hid the fact that the property was in dispute over the ownership with the development authority of the state. A fire broke out due to electric short</p>	(3)

	<p>circuit and Mr Ram suffered severe losses. The insurance company refused to pay the claim when it learnt about the disputed ownership of the building.</p> <p>i). In your opinion, why did the insurance company refuse to pay the loss? ii). Which principle of insurance has Mr Ram violated?</p> <p>Ans.</p> <p>i). The insurance company refused to pay the loss as the fact over dispute on the ownership was kept undisclosed. ii). Principle of Utmost Good Faith: According to this principle, both insured and insurer (company) must disclose all relevant facts to each other about the subject matter of insurance.</p>							
<p>Q23.</p>	<p>Which type of e-business transaction is highlighted in the following cases?</p> <p>A. Complaint lodged by a customer at the company's call centre. B. Withdrawal of money from ATM. C. Employees send their daily report through e-mail. D. Sale of used books through eBay.com E. Conducting surveys to determine customer's preference F. Purchase of security lock system by Maruti Suzuki from Autocops.</p> <p>ANS:</p> <p>A. C2B Commerce. B. B2C Commerce C. Intra-B Commerce. D. C2C Commerce. E. B2C Commerce F. B2B Commerce</p>	<p>(3)</p>						
<p>Q24.</p>	<p>Shoppers Stop has opened a new retail outlet in Patna. It offers a wide variety of products, classified into well- defined units each one is confined to one kind of products to satisfy every customer need under one roof. It purchases goods directly from the manufactures and thus eliminates middlemen.</p> <p>A. Identify the types of large scale retail outlet by quoting the lines from above case. B. State 2 differences between the above type of retail outlet and chain store</p> <p>ANSWER:</p> <p>A) Shoppers Stop - Departmental Store - It offers a wide variety of products, classified into well- defined units each one is confined to one kind of products to satisfy every customers need under one roof. (1)</p> <p>Distinction Between Departmental Store And Multiple Shops (Any two)</p> <table border="1" data-bbox="215 1696 1419 1845"> <thead> <tr> <th data-bbox="215 1696 479 1738">Basis</th> <th data-bbox="479 1696 1003 1738">Departmental Store</th> <th data-bbox="1003 1696 1419 1738">Multiple Shops</th> </tr> </thead> <tbody> <tr> <td data-bbox="215 1738 479 1845">Introduction</td> <td data-bbox="479 1738 1003 1845">Retail institution that deals with all kinds of products under a single building</td> <td data-bbox="1003 1738 1419 1845">Retail institution with number of shops in different locations</td> </tr> </tbody> </table>	Basis	Departmental Store	Multiple Shops	Introduction	Retail institution that deals with all kinds of products under a single building	Retail institution with number of shops in different locations	<p>(3)</p>
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Introduction	Retail institution that deals with all kinds of products under a single building	Retail institution with number of shops in different locations						

	Product Variety	Wide Variety	Limited	
	Operational Area	Central location	Difference locations	
	Operating Cost	High	Less	
	Product Price	High	Low	
	Credit Facility	Yes	No	
	After Sales Service	Yes	No	
	Risk Involved	High	Low	
	Divisions	Yes	No	
	Management	Easy	Difficult	
	Customers	High Class	Middle Class	
Q25.	<p>India is currently the third largest producer of eggs (by weight) and the sixth largest producer of chicken meat in the world. The meat production in India has grown by a brisk 10 percent and egg production by five per cent over the past 10 years. By 2030, over 40 percent of India's population will be urbanised and the number of working women is likely to double. This could significantly boost the market for frozen foods, including poultry products. But, the potential is constrained by recurring incidents of disease in poultry produce on frozen foods and rising feed costs.</p> <p>In context of the above case:</p> <p>A. Identify and explain the different kinds of industries being discussed in the above paragraph.</p> <p>B. State the categories of types of industries to which the different kinds of industries as identified in part (A) belong to.</p> <p>Answer:</p> <p>A. The different kinds of industries being discussed in the above paragraph are as follows: (a) Primary Industries: Eggs and meat production Primary industries are concerned with all those activities, which involve the extraction and production of natural resources and reproduction and development of living organisms, plants, etc.</p> <p>C. Secondary Industries: Frozen foods Secondary industries are concerned with using the materials which have already been extracted at the primary stage to produce goods for final consumption or for further processing by other industries.</p> <p>(ii) The categories of types of industries discussed above are as follows: (a) Primary Industries: Genetic industries (Eggs and meat) (b) Secondary Industries: Manufacturing industries (Frozen foods)</p>			(4)
Q26.	<p>Bharat Heavy Electricals Limited (BHEL) was founded in the year 1964 by the Govt. of India. It is the largest plant equipment manufacturer in the country with 74% market share in the power sector. It has a network of 17 manufacturing units, 2 repair units, 4 regional offices, 8 service centres, 8 overseas offices, 15 regional centres, 7 joint ventures, and infrastructure allowing it to execute more than 150 projects at sites across India and abroad. It has been granted the status of a Maharatna (big gem) status in the year 2013 by Govt. of India for its outstanding performance and vast scale. Maharatna status affords the Boards of these companies enhanced financial and operational autonomy.</p>			(4)

In context of the above case:

- A. How will you classify BHEL as a form of public sector enterprise?
- B. State any three features of the form of public sector enterprise as identified in part (a)
- C. Explain briefly 'financial and operational autonomy' as a merit of the type of public sector enterprise as identified in part (A)

ANS

- A. BHEL will be classified as a Government Company.
- B. The three features of a govt. company form of organization are stated below:
 - (i) *Formation:* A govt company is created under the Indian Companies Act, 1956. Like any other public limited company the management of the company is regulated by the provisions of The Companies Act, 1956.
 - (ii) *Separate Legal Entity:* The company can file a suit in a court of law against any third party and can be sued. It can enter into a contract and can acquire property in its own name.
 - (iii) *Capital:* In a govt. company not less than 51% of the paid up capital is held by the central govt., or by any state govt or partly by central government and partly by one or more state governments. Thus, it obtains its funds from Govt shareholdings as well as other private shareholdings. It is also permitted to obtain funds from the capital market.
- C. As a merit of a govt company form of organization, 'financial and operational autonomy' means that a company can take independent actions according to business prudence as it enjoys autonomy. It is exempted from the accounting and audit rules and procedures, although an auditor is appointed by the central govt. and the annual report is to be presented in the parliament or the state legislature.

OR

Two Years back Rahul had joined a branch of Bank of Baroda as Assistant Manager in the term deposits in Delhi. Whereas, his younger brother Rehan recently joined HDFC Bank as Business Development Manager in Kolkata. While discussing about their job experience belong to different both brothers realized that the working of the two banks varies primarily because they belong to different sectors of the economy. However, on certain parameters the approach of both banks are similar like, offering a higher rate of interest on term deposits made by senior citizens, ensuring safety and security in netbanking etc.

In context of the above case:

- A. By quoting lines from the paragraph identify the two sectors being highlighted.
- B. State any 3 differences between the two sectors as identified in part (A) of the question

A1)

- A. 'Rahul had joined a branch of Bank of Baroda as Assistant Manager in the Term Deposits division in Delhi' – Public Sector Bank
- B. 'Rehan has recently joined HDFC Bank as Business Development Manager in Kolkata.' – Private Sector Bank.

Differences between Private sector and Public Sector bank are:

Public Sector	Private Sector
DEFINITION	

	Public sector organisations are owned, controlled and managed by the government or other state-run bodies.	Private sector organisations are owned, controlled and managed by individuals, groups or business entities.	
OWNERSHIP			
	The ownership of the public sector units can be by central, state or local government bodies, and this ownership is either full or partial.	The ownership of private sector units is by individuals or entities with zero interference from the government.	
MOTIVE			
	The main motive of public sector organisations is to engage in activities that serve the general public.	The main motive of the private sector is to earn profits from their business operations.	
SOURCE OF CAPITAL			
	The capital for public sector undertakings comes from tax collections, excise and other duties, bonds, treasury bills etc.	The capital for private sector entities comes either from its owners or through loans, issuing shares and debentures, etc.	
PROFITS			
	To the general public Public sector units provide several employment benefits like job security, housing facilities, allowances and retirement benefits.	To the owners Private sector units offer benefits like higher salary packages, better chances of promotion and recognition, competitive environment and greater incentives in terms of bonus and other benefits.	
STABILITY			
	Jobs within the public sector are very stable since the chances of getting sacked due to non-performance are very low.	Jobs within the private sector are not very secure since non-performance can lead to sacking. Companies can also fire people in case of cost cutting or scaling down of operations.	
PROMOTIONS			
	The criteria for promotion in the public sector units is generally based on the seniority of the employee.	The criteria for promotion in the private sector units is generally based on the merit and job performance of the employee.	
AREAS			
	Some of the main areas that come under the public sector are police, military, mining, manufacturing, healthcare, education, transport, banking, etc.	Some of the main areas that come under the private sector are information technology, finance, fast moving consumer goods, construction, hospitality, pharmaceuticals, etc.	
Conclusion			
Any country needs both the public sector and the private sector to work at their full potential. There are many differences between the two but a robust financial and economic system must have an adequate mixture of companies belonging to both these sectors.			
Q27.	Britannia Industries Ltd. is committed to help secure every child's right to growth and development through good food every day. The company is working in partnership with		(4)

	<p>Global Alliance for Improved Nutrition (GAIN) and the Naandi Foundation to supply iron fortified Tiger biscuits to supplement the Mid-Day Meal program in schools. Iron deficiency among Indian children is a key cause of school dropouts as well as decreased productivity. In keeping with its core essence of “Swasth Khao Tan Man Jagao”, the company constantly strives to find sustainable opportunities to drive home the message of nutrition and good food habits among children at the right age.</p> <p>In context of the above case:</p> <p>A. Identify the kind of social responsibility being discharged by Britannia Industries ltd. B. Briefly explain any two other kinds of social responsibilities.</p> <p>Answers:</p> <p>A. <i>Discretionary responsibility</i> is being discharged by Britannia industries Ltd. as it is working towards welfare of the children purely on voluntary basis. B. The other two kinds of social responsibilities are stated below: i. Economic responsibility is the primary responsibility of a business enterprise and relates to production of goods and services that are as per the needs and wants of the society and selling them at a profit. ii. Legal responsibility means that every business must operate within the laws of the land.</p>																
<p>Q28.</p>	<p>Differentiate between Equity Shares and Preference Shares.</p> <table border="1" data-bbox="219 924 1421 1575"> <thead> <tr> <th data-bbox="219 924 483 976">Basis of Difference</th> <th data-bbox="483 924 938 976">Equity Shares</th> <th data-bbox="938 924 1421 976">Preference Shares</th> </tr> </thead> <tbody> <tr> <td data-bbox="219 976 483 1123">Right to Dividend</td> <td data-bbox="483 976 938 1123">A share is a part of owner's funds of the company and therefore shareholder is called as the owner of the company.</td> <td data-bbox="938 976 1421 1123">A debenture is a part of borrowed funds of the company and therefore a debenture holder is a creditor in the company.</td> </tr> <tr> <td data-bbox="219 1123 483 1302">Refund of capital</td> <td data-bbox="483 1123 938 1302">Return on share is called dividend which is paid by the company if it earns profits and directors decide to declare dividend subject to the approval of the shareholders.</td> <td data-bbox="938 1123 1421 1302">Returns on debenture are called interest which is paid by the company even if the company incurs losses.</td> </tr> <tr> <td data-bbox="219 1302 483 1449">Redemption</td> <td data-bbox="483 1302 938 1449">Rate of dividend on preference share is fixed and on equity share it fluctuates depending on the availability of profits.</td> <td data-bbox="938 1302 1421 1449">Rate of interest on debenture is always fixed.</td> </tr> <tr> <td data-bbox="219 1449 483 1575">Arrears of dividend</td> <td data-bbox="483 1449 938 1575">Preference Share capital is returned after a specified period of time.</td> <td data-bbox="938 1449 1421 1575">Debentures are redeemable after a fixed period of time either in lump sum or by annual drawings.</td> </tr> </tbody> </table>	Basis of Difference	Equity Shares	Preference Shares	Right to Dividend	A share is a part of owner's funds of the company and therefore shareholder is called as the owner of the company.	A debenture is a part of borrowed funds of the company and therefore a debenture holder is a creditor in the company.	Refund of capital	Return on share is called dividend which is paid by the company if it earns profits and directors decide to declare dividend subject to the approval of the shareholders.	Returns on debenture are called interest which is paid by the company even if the company incurs losses.	Redemption	Rate of dividend on preference share is fixed and on equity share it fluctuates depending on the availability of profits.	Rate of interest on debenture is always fixed.	Arrears of dividend	Preference Share capital is returned after a specified period of time.	Debentures are redeemable after a fixed period of time either in lump sum or by annual drawings.	<p>(4)</p>
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<p>Q29.</p>	<p>Explain briefly the various services provided by the wholesaler to the manufacturers.</p> <p>Services to Manufacturers: To the manufacturer, wholesaler provides the following services:</p> <p>i. Economies of Scale – Since wholesalers buys in bulk quantities, producer has to also manufacture in bulk. This brings the benefits of economies of scale in production. ii. Saves Time – Wholesaler saves much of the time of manufacturer, as he on his behalf collects order from various retailers and supplies them goods in smaller quantities.</p>	<p>(4)</p>															

- iii. Better use of Capital – Wholesaler holds the stock of goods; as a result manufacturer is saved from locking too much capital in manufacturing stocks.
- iv. Price Stabilisation – Wholesaler helps in price stabilisation by storing the goods in slack season and using them during peak season.
- v. Assists in Production – By assembling the raw materials from different locations and providing the inputs to the producer at one place, the wholesaler assists in the process of production.

OR

Outline the functions performed by a retailer to the manufacturer and wholesaler.

Key Functions Performed by a Retailer

- A retailer performs the dual functions of buying and assembling of goods. The responsibility of a retailer is to identify the most economical source for obtaining the goods from the suppliers and passing on the advantages to the consumer.
- The retailers perform the functions of warehousing and storing. They store the goods in bulk and make them available as per the requirement of the consumer. Warehousing and store keeping helps in ensuring uninterrupted availability of the goods to the consumers.
- The primary function of a retailer is selling the products to the customers for which various techniques or business practices are being adopted by the retailer to achieve the strategic goals.
- The prime focus of a retailer is on maximizing customer satisfaction by delivering quality products and services both on cash as well as credit basis. As a result of which, retailer always runs the risk of accumulating bad debts on account of non-payment of the amount from the consumer.
- A retailer needs to have robust risk management capabilities. Various kinds of risks can be involved in a retail business which a retailer should be well prepared with like loss or damage of the products due to deterioration in quality, perishability or spoilage. A change in customer’s buying preferences or tastes can also affect the retail business to a great extent, or even the products may be damaged due to the natural calamities or vagaries of nature.
- A retailer performs the crucial function of grading for all those goods which at times are either left ungraded by the wholesalers or manufacturers so that the customers readily accept the goods. The retailer is responsible for the packing of goods in small packages or small containers for the customer’s convenience.
- The retailers are the direct point of contact or communication with the customers; hence they gather information regarding the changing tastes and preferences of the consumers, pass on the customer feedback to the manufacturers for continuous improvement in service delivery.
- Retailers act as a vital channel for the launch of new products in the market as they are the direct interface with the consumers and can communicate directly with the targets consumers about the new product features and advantages.
- The retailers are responsible for the product promotion and advertisement by planning the product displays and visual merchandising for attracting the customers.

Q30.

Sheetal and Shilpi are close business friends engaged in a discussion on benefits of trade. Shilpi feels trade between the nations is highly beneficial while Sheetal feel an economy can only develop and grow if trade within the nations is strong. She also praised the supportive

(4)

associations playing a catalytic role in strengthening trade within the nation to make it an important part of economic activity.

On the basis of the aforesaid information, enumerate the benefits of the type of trade highlighted by Shilpi.

ANSWER:

BENEFITS TO FIRMS

- (i) **Prospects for higher profits:** International business can be more profitable than the domestic business. When the domestic prices are lower, business firms can earn more profits by selling their products in countries where prices are high.
- (ii) **Increased capacity utilisation:** Many firms setup production capacities for their products which are in excess of demand in the domestic market. By planning overseas expansion and procuring orders from foreign customers, they can think of making use of their surplus production capacities and also improving the profitability of their operations. Production on a larger scale often leads to economies of scale, which in turn lowers production cost and improves per unit profit margin.
- (iii) **Prospects for growth:** Business firms find it quite frustrating when demand for their products starts getting saturated in the domestic market. Such firms can considerably improve prospects of their growth by plunging into overseas markets. This is precisely what has prompted many of the multinationals from the developed countries to enter into markets of developing countries. While demand in their home countries has got almost saturated, they realised their products were in demand in the developing countries and demand was picking up quite fast.
- (iv) **Way out to intense competition in domestic market:** When competition in the domestic market is very intense, internationalisation seems to be the only way to achieve significant growth. Highly competitive domestic market drives many companies to go international in search of markets for their products. International business thus acts as a catalyst of growth for firms facing tough market conditions on the domestic turf. Improved business vision: The growth of international business of many companies is essentially a part of their business policies or strategic management. The vision to become international comes from the urge to grow, the need to become more competitive, the need to diversify and to gain strategic advantages of internationalisation.

BENEFITS TO COUNTRIES

- (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. When countries trade on this principle, they end up producing much more than what they can when each of them attempts to produce all the goods and services on its own. If such an enhanced pool of goods and services is distributed equitably amongst nations, it benefits all the trading nations.
- (iii) **Improving growth prospects and employment potentials:** Producing solely for the purposes of domestic consumption severely restricts a country's prospects for growth and

	<p>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. Later on a few countries such as Singapore, South Korea and China which saw markets for their products in the foreign countries embarked upon the strategy 'export and flourish', and soon became the star performers on the world map.</p> <p>(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.</p>	
<p>Q31.</p>	<p>A partnership with five partners is operating a shoe factory and retail outlets in five big cities. The demand of the firm's products has increased considerably, but it does not have the capacity to meet the increasing demand. For expanding its operations, the firm needs more capital, manpower and machinery. After adequate deliberation, the partners have listed two alternatives. They can either admit new partners or convert the partnership into a public limited company.</p> <p>Questions:</p> <p>A. Which alternative is most suitable for the partners and why?</p> <p>B. Why should the partners adopt the alternative suggested by you?</p> <p>Hints:</p> <p>i). The partners of the firm should adopt the first alternative. They should convert the firm into a joint stock company.</p> <p>ii). The partners should adopt the alternative of converting the firm into a joint stock company because of the following reasons:</p> <p>(i) The shareholders of a company enjoy limited liability.</p> <p>(ii) The company can raise huge capital by issuing equity shares and debentures</p> <p>(iii) The company can take up new business activities and thus expand its operations.</p> <p>(iv) The company can employ professionals to manage its affairs. The professionals are experts in their respective areas.</p> <p>(v) The company has a long life. Its life is not affected by the death of some share-holders or if some shareholders sell their shares to others.</p> <p>(vi) The shares of a company are freely transferable and they can be easily sold/purchased if they are listed on a stock exchange.</p>	<p>(6)</p>
<p>Q32.</p>	<p>Arun Kumar has recently joined JBM Autocorp Ltd. An auto spare parts manufacturing company as a finance manager of the company. After understanding the financial status o the company he realised that the company has only issued equity shares and preference shares. This has resulted in payment of large amount of taxes to government as dividend on shares is not deducted from income of the company for the purpose of tax calculation. The returns to shares holders are comparatively lower than what other competitors are paying. So he advised in the meeting to procure money from such sources that can give tax benefit to the firms.</p> <p>On the basis of aforesaid information about JBM Autocorp Ltd., answer the following questions:</p> <p>A. State and Explain the source of finance that can be used by the company to avail the benefit of tax saving.</p>	<p>(6)</p>

	<p>B. State any two merits and two demerits of the source of finance identified in part (i).</p> <p>ANSWER Meaning: If a company needs funds for extension and development purpose without increasing its share capital, it can borrow from the general public by issuing certificates for a fixed period of time and at a fixed rate of interest. Such a loan certificate is called a debenture. Debentures are offered to the public for subscription in the same way as for issue of equity shares. Debenture is issued under the common seal of the company acknowledging the receipt of money.</p> <p><u>Advantage of Debentures:</u> (a) Issue of debenture does not result in dilution of interest of equity shareholders as they do not have right either to vote or take part in the management of the company. (b) Interest on debenture is a tax deductible expenditure and thus it saves income tax. (c) Cost of debenture is relatively lower than preference shares and equity shares. (d) Issue of debentures is advantageous during times of inflation. (e) Interest on debenture is payable even if there is a loss, so debenture holders bear no risk.</p> <p><u>Disadvantages of Debentures:</u> (a) Payment of interest on debenture is obligatory and hence it becomes burden if the company incurs loss. (b) Debentures are issued to trade on equity but too much dependence on debentures increases the financial risk of the company. (c) Redemption of debenture involves a larger amount of cash outflow. (d) During depression, the profit of the company goes on declining and it becomes difficult for the company to pay interest.</p>	
<p>Q33.</p>	<p>How do small-scale industries contribute to the socio-economic development of India?</p> <p>ANSWER ROLE OF SMALL BUSINESS IN RURAL INDIA 1. Contribution. As per available statistics (4th Census of MSME Sector), this sector employs an estimated 59.7 million persons spread over 26.1 million enterprises which accounts for approximate 95% of the industrial units in the country. It is estimated that in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export (direct and indirect exports) of the country. 2. Highest Employer. Small-scale industries are the second largest employers of human resources after agriculture. They generate more number of employment opportunities per unit of capital invested compared to large industries. Therefore, they are considered to be more labour intensive and less capital intensive. 3. Abundance of Products. SSIs provide enormous variety of products: (a) Mass Consumption goods. Readymade garments, hosiery goods, stationery items, soaps, detergents, domestic utensils, leather products, plastic and rubber goods, processed foods and vegetables, wood and steel furniture, paints, varnishes, safety matches, etc. (b) Sophisticated Goods. Electric and electronic goods like televisions, calculators, electrical medical equipments, electric teaching aids like projectors, air conditioning units, drugs and pharmaceuticals, agricultural tools and equipment and several other engineering products. 4. Balanced Regional Development/Removing Regional Disparity. Large-scale industries cannot be set up in every nook and corner. Small-scale industries help in maintaining</p>	<p>(6)</p>

balanced regional development by producing simple products, using simple technologies and depend on locally available material and labour. These industries can be set up anywhere in the country, help the large industries and generate employment opportunities on a large scale.

5. Ample Opportunities for Entrepreneurship. The latent skills and talents of people can be channeled into business ideas which can be converted into reality with little capital investment and almost no formalities to start the business.

6. Low Cost of Production. Small-scale industries get the benefits of locally available resources which are easily available at the low cost. Establishment and running costs of small-scale industries are on the lower side because of low overhead expenses. The low cost of production helps these industries survive in the long run.

7. Quick and Timely Decisions. In small-scale industries, the decisions can be taken in time and business opportunities can be availed as the control and management of such industries rest in the hands of a single or limited number of persons.

8. Suitable for Customised Products. Small business enterprises generally produce and design the products as per the needs/tastes/preferences of the customers like tailor made shirts-trousers, assembled or branded laptops or computers are made as per the requirements of the users, etc.

9. Adaptability and Personalised Touch. Small business organisations have limited number of customers and employees. Maintaining relations is not a tedious job. Government generally does not have any interference in their functioning. Business decisions can be taken with ease without consulting others, at the right time to avail the business opportunities thereby creating healthy competitive atmosphere in the business environment.

OR

Discuss the problems faced by small-scale industries.

ANSWER

PROBLEMS OF SMALL BUSINESS IN INDIA

The scale of operation, availability of finance, ability to use modern technology, procurement of raw materials are some of the common problems. The benefits of large-scale enterprises are not available to small businesses due to small level of production. In case of **ancillary units** (It is a small industrial unit which supplies not less than 50% of its production to another industry, referred to as parent unit), the major problems include delayed payments, uncertainty of getting orders from the **parent units** and frequent changes in production processes. The problems of traditional small-scale units also include remote location with less developed infrastructural facilities, lack of managerial talents, poor quality, traditional technology and lack of finance. The problems relating to exporting orienting units lack adequate data on foreign markets, market intelligence, exchange rate fluctuations, quality standards and shipment finance, etc. The following are the common problems of small businesses:

1. Finance. SSIs do not enjoy creditworthiness in the market to raise the funds from the general public or from the banks/financial institutions. These enterprises also do not have the sufficient fixed assets or collateral security to raise loans. So, these enterprises become the victims of the private moneylenders. Their funds are blocked with the customers due to credit sales for a longer period of time.

2. Raw Materials. Due to lack of funds, creditworthiness, procurement of raw material becomes difficult. Their bargaining power is low, so, they have to buy the material at the

	<p>higher price on a low credit period or compromise on the low quality. If the raw material is available, the problem of storage arises. Due to scarcity of metals, chemicals, and natural resources from the earth or otherwise, the SSIs suffer the most.</p> <p>3. Managerial Skills. Generally the SSIs are run by the single small business entrepreneurs who may not have professional talents to run the business organisations. Many of the small business entrepreneurs possess sound technical knowledge but are less successful in marketing for the output.</p> <p>4. Labour. Qualified employees and skilled workforce cannot be hired due to inadequacy of funds. Thus, productivity per employee is relatively low and employee turnover is generally high. Unskilled workforce is hired by these organisations due to low pay but training them is really a very hectic and time consuming process.</p> <p>Note: <i>Employees Turnover means employees separating from the organisation due to dismissal or resignation. If an employer is said to have high employee turnover relative to its competitors, it means employees of that company have a shorter average tenure than those of other companies in the same industry.</i></p> <p>5. Marketing. Marketing is a major problem for small business enterprises. They do not generally find the market to sell the product. If they find the market, their products are bought at a very low price and get exploited by the channels of distribution. Further, direct marketing may not be feasible for small business firms as they lack the necessary infrastructure.</p> <p>6. Quality. The small-scale industries do not adhere to desired standards of quality. Instead, they concentrate on cutting down the cost and keeping the prices low. They lack the finance to spend on the research and innovation and cannot maintain the quality standards. Maintaining the quality is the weakest point and their products cannot compete with the products of global enterprises.</p> <p>7. Capacity Utilisation. Due to lack of sufficient demand of products in the market, the plant and machinery operate at low capacity which increases the operating cost and cost per unit. High operating cost for a longer period of time lead to closure of such units.</p> <p>8. Technology. Most of the SSIs use outdated technology and cannot compete with the products of large-scale enterprises and MNCs. Their products generally lack quality standards, industrial norms and specifications. This leads to dissatisfaction among the customers who behave indifferently towards such products. Such industries cannot survive in competition with the large-scale industries.</p> <p>9. Industrial Sickness. Industrial sickness means losses being borne by an enterprise. Causes of sickness are internal as well as external. Internal problems include lack of skilled trained labour, managerial and marketing skills. Some of the external problems include delayed payment, shortage of working capital, inadequate loans and lack of demand for their products.</p> <p>10. Global Competition. The Economic Policy 1991 has also not left the small businesses without fears. They have been receiving the threat from the large and multinational companies. Limited production, high operating cost, low price, and lack of uniformity among the products /technological skills/managerial and marketing capabilities and limited access to developed countries due to stringent requirements of quality certification are creating the problems of survival.</p>	
Q34.	<p>Excel Ltd. has received an order to export 2000 sewing machines to Swift Import Ltd. of Spain. Explain in brief first six steps which Excel Ltd. would need to go through for executing the export order.</p> <p>The first six steps of Export procedure are : 1. Receipt of enquiry and sending quotation 2.</p>	(6)

Receipt of order or indent 3. Assessing importer's creditworthiness and securing guarantee for payments 4. Obtaining export licence 5. Obtaining pre shipment finance 6. Production or procurement of goods.	
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