ANSWER KEY (Unofficial) – by Ajith Kanthi Wayanad)

Class 11 – BUSINESS STUDIES – March 2023 – Qn Code FY-448

1 Score – Any 8

1. c) Profit
2. b) Karta
3. c) Government Company
4. b) Central Bank
5. d) Cash payment at the counter
6. d) All of these
7. Air Pollution
8. a) Retained earnings
9. d) Mail order
10. b) Foreign trade

2 Score – Any 5

11. a) **Nominal Partner** (Ostensible Partner or Quasi Partner) – Such a partner lends his name and reputation for the benefit of the firm but neither contribute capital nor take part in management as well as no share in profit of the firm . Although he becomes liable to outsiders for the debts of the firm.

b) **Active or Working Partner** – A partner who contributes capital and take part in the day to day affairs of the business is called active partner.

12. Differences between Traditional and e-Business. (any 2)

Basis	Traditional Business	e-Business
1. Ease of Formation	Difficult	Simple
2. Physical presence	Required	Not required
3. Location requirement	Important	Not important
4. Cost of setting up	High	Low
5. Operating cost	High	Low
6. Contact with suppliers and customers	Indirect through intermediaries	Direct
7. Business process and length of cycle	Long time	Shorter
8. Interpersonal touch	More	Less

9. Ease of going global	Less	More
10. Employees	Semi-skilled or unskilled	Technically and professionally qualified
11. Transaction risk	Low due to face to face contact	High due to lack of personal contact

13.

b) Responsibility to operate within the laws of the country.	Legal Responsibility
c) Helping people of affected area of natural calamity	Discretionary Responsibility

14. a) Promotion b) Incorporation

15. Factoring – It is a financial service provided by factoring organisations which specializes in collection and administration of debts. A factor may be an individual or an institution.

16. **Kinds of Itinerant Traders:** Hawkers and Peddlers, Market Traders, Street Traders, Cheap Jacks (any 2)

3 Score – Any 5

17. Differences between Private Company and Public Company (any 3 differences)

Basis	Public Company	Private Company
Members	Minimum – 7 Maximum – Unlimited	Minimum – 2 Maximum – 200
Minimum number of directors	Three	Two
Index of members	Compulsory	Not Compulsory
Transfer of shares	No restriction	Restriction on transfer
Invitation to public to subscribe to shares	Can invite	Cannot invite

18. a) Departmental Undertakings - These are the undertakings created by the decision of the government, financed and controlled by the Government and it is managed by the government officials under the ultimate control of a minister.

b) Statutory Corporations or Public Corporations - It is generally created as an autonomous institution by passing a Special Act in the Parliament or State Legislature. As a body corporate, it is a separate entity for legal purposes and can sue and be sued, enter into contracts and acquire property in its own name.

c) Government Company - Public enterprises organized under the Companies Act are Government companies. It is defined as a company in which at least 51% of share capital is held by the central government or by the State Government or governments or partly by the central and partly by one or more State Government.

19.

C2C	Customer to Customer	Selling used books or clothes by one customer to another
B2C	Business to Customer	Selling goods to a customer
Intra B	Transaction within the business	Computer-based interactions among the departments in a business organisation

20. **Functions of Promoters:** 1. Identification of business opportunity , 2. Feasibility studies, 3. Name approval, 4. Fixing up of signatories to the Memorandum of Association , 5. Appointment of professionals , 6. Preparing necessary documents (any 3 with brief explanation)

21. a) Fixed capital requirements – It refers to the funds raised for a long period, (minimum 5 Years) and it is used for investment in fixed assets which required for permanent needs of the business. Usually, long term finance is raised from shareholders, debenture holders, financial institutions, retained earnings etc.

b) Working capital requirements – It may be used for holding current assets like stock, bills receivable and for meeting current expenses such as salary, rent, taxes etc.

22. **Export Procedure :** 1. Receipt of enquiry and sending quotation , 2. Receipt of order or indent, 3. Assessing importer's creditworthiness and securing a guarantee for payments , 4.Obtaining export license , 5. Obtaining pre-shipment finance , 6. Production or procurement of goods, 7. Pre-shipment inspection, 8. Excise Clearance, 9. Obtaining certificate of origin, 10.Reservation of shipping space, 11. Packing and forwarding, 12. Insurance of goods, 13.Customs clearance, 14. Obtaining mates receipt , 15. Payment of freight and insurance of bill of lading , 16. Preparation of invoice , 17. Securing payment (any 3 with brief explanation)

4 Score – Any 4

23.

Primary Industries	**Secondary Industries**
Timbering	Construction of dams
Breeding of animals	Production of goods
Mining	Assembling of components

24. **Functions of Commercial Banks:** 1. Accepting Deposits, 2. Lending of Funds, 3. Cheque facility, 4. Remittance of funds, 5. Allied services (Personal Services) (any 4 with explanation)

25. Contents of Memorandum (Clauses of MoA): 1. Name Clause, 2. Registered Office Clause, 3. Objects Clause, 4. Liability Clause, 5. Capital Clause (Any 4 with explanation)

26. Preference Shares – A preference share is one which carries certain preferential rights with regard to the payment of dividend at a fixed rate during the continuance of the company and repayment of capital on the winding up of the company.

Differences between Equity Shares and Preference Shares (any 3)

Equity Shares	Preference Shares
1. No Preferential right regarding dividend or repayment of capital	They have preferential rights in these regards.
2. Dividend fluctuates based on the profit of the company	The rate of dividend is constant
3. Equity shareholders have voting rights	No voting right

27. Differences between Domestic Trade and Foreign Trade: (any 4 differences)

Basis	Domestic Trade	Foreign Trade
1. Nationality	Buyer and seller belong to one nation	They are from different countries
2. Other Stakeholders	Suppliers, employees, middlemen, shareholders etc. are the citizens of same nation	Various stakeholders from different countries
3. Customer heterogeneity	Customers are more homogeneous in nature	More heterogeneous in the matter of language, preferences, customs etc.
4. Business system and practices	Relatively same system	Different systems and practices are followed
5. Political system and risk	Subject to the same country	Subject to different countries
6. Business regulations and policies	Subject to the rules, laws, taxation policies of the same nation	Subject to the rules and policies prevailing the concerned nations
7. Currency	Currency of the domestic country	Currencies of more than one countries

5 Score – Any 3

28.

Hindrances in exchange of goods and services	Activities undertaken to remove these hindrances
1. Hindrances of Person	Traders as intermediary between producer and consumer
2. Hindrances of Place	Transport
3. Hindrances of Risk	Insurance
4. Hindrances of Time	Warehouses
5. Hindrances of Knowledge	Advertisement
6. Hindrances of Finance	Banking

(Any 5 only)

29**. MNC**: A multinational company is a company carrying on business in two or more countries. Therefore it may be defined as a company that operates in several countries, such a company has factories, branches or offices in more than one country.

Features: 1. Huge capital, 2. Foreign collaboration, 3. Advanced technology, 4. Marketing strategies, 5. Expansion of market territory, 6. Product innovation, 7. Centralized control (Any 4 with explanation)

30. Problems of Small Business: 1. Finance, 2. Raw materials, 3. Managerial skills, 4. Labour, 5. Marketing, 6. Quality, 7. Capacity utilization, 8. Technology, 9. Sickness, 10. Global competitions (Any 5 with explanation)

31. Match the following:

A	B
a. Return on investment	Responsibility to Owners
b. Fair wages	Responsibility to Employees
c. Payment of taxes	Responsibility to Government
d. Quality products	Responsibility to Customers
e. Prompt payment	Responsibility to Suppliers

8 Score – Any 2

32. **Merits of Sole Proprietorship (Any 4)**

a. Quick decision making – No need to consult with others.
b. Confidentiality of information – Secrecy can be maintained.
c. Direct incentive - All the profit goes to the proprietor.
d. Sense of accomplishment – Personal satisfaction by working for himself.
e. Ease of formation and closure – Only minimum legal formalities.

Limitations of Sole Proprietorship (Any 4)

a. Limited resources – Capital is limited and the size of business is small.
b. Limited life – As the business has no separate legal entity.
c. Unlimited liability – even the personal properties are attached.
d. Limited managerial ability.

33. **Insurance** is a contract in writing whereby one party, called the **insurer** agrees in consideration of either a single or a periodical payment called the **premium** to indemnify another party called the **insured** against loss or damage resulting on the happening of a specified event or events.

Principles of Insurance (Any 6 with explanation)

1. **Utmost Good Faith –** While entering into a contract of insurance, all the material facts are to be disclosed, otherwise it will become void.

2. **Insurable Interest –** The insured must have an interest on the subject matter of insurance, otherwise the contract of insurance become void. E.g. a person who has advanced money on the security of a house, has an insurable interest on that house.

3. **Indemnity –** All insurance except life insurance and personal accident insurance are based on the principle of indemnity. Here the insured is entitled to get only the actual amount of loss suffered by him and it will not be a source of profit.

4. **Causa Proxima (Proximate Cause) –** It means the nearest cause. It says that an insured can recover the loss only when it is caused by any of the risk insured against.

5. **Subrogation –** This principle states that, after the payment of loss to the insured on the property, the whole right of such property is entitled with the insurer. This right is exercised by the insurer to earn any compensation for the damages on the property either from the party who were responsible for such damages or by the sale of such property to some others. This is because the insured should not make profit by selling the damaged property.

6. **Contribution –** This principle applies only when the same subject matter is insured with different insurers, here the actual amount of loss is divided among various insurers.

7. **Mitigation of Loss –** It is the duty of the insured to take preventive measures to minimize the loss of the property. If any expenses are incurred by him for such activities, he is entitled to get that much of amount along with the compensation from the insurance company.

34. **Departmental Stores**

Features of Departmental Stores: (Any 4)

1. They provide additional facilities like restaurant, telephone booth, rest room, play area etc.
2. Usually located in central place of a big city.
3. It is a large scale retail organization, generally formed as joint stock companies.
4. Elimination of middlemen – They are making their purchases directly from the producers.
5. Centralized purchases and decentralized selling.

Merits of Departmental Stores (Any 3)

1. **Central location** attracts more and more customers.
2. **Shopping convenience** to the customers as they get different products under one roof.
3. **Consumer services** are provided like free home delivery, telephone facilities, restaurants, rest rooms etc.
4. **Economies of large scale operation** in the matter of transportation, advertising, purchase etc.
5. **Automatic mutual advertisement** – One department advertises the other.

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