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Business Studies

कक्षा / Class XI
2026-27

विद्यार्थी सहायक सामग्री
Student Support Material

केन्द्रीय विद्यालय संगठन~Kendriya Vidyalaya Sangathan

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संदेश

शिक्षा केवल पुस्तकों तक सीमित ज्ञान नहीं है; यह स्वयं को पहचानने, अपने विचारों को विस्तार देने और जीवन की चुनौतियों का आत्मविश्वास से सामना करने की सतत् यात्रा है। केन्द्रीय विद्यालय संगठन का सदैव यह प्रयास रहा है कि प्रत्येक विद्यार्थी के लिए ऐसा शिक्षण वातावरण हो, जहाँ जिज्ञासा को प्रोत्साहन मिले, सीखना आनंददायी बने और प्रत्येक बालक अपनी अंतर्निहित क्षमताओं को पहचानकर उन्हें विकसित कर सके।

राष्ट्रीय शिक्षा नीति 2020 ने शिक्षा को सिर्फ रटने से समझने, सूचना से ज्ञान और ज्ञान से जीवनोपयोगी दक्षताओं की ओर अग्रसर किया है। आज का समय कृत्रिम बुद्धिमत्ता (Artificial Intelligence – AI), डिजिटल नवाचार और निरंतर बदलती तकनीकों का है। ऐसे युग में केवल तथ्यों का ज्ञान पर्याप्त नहीं है; आवश्यक है कि विद्यार्थी मनन- चिंतन करना सीखें, प्रश्न पूछें, समस्याओं का समाधान खोजें और नए विचारों के साथ आगे बढ़ें। यही क्षमताएँ उन्हें भविष्य के लिए तैयार करेंगी।

इन्हीं उद्देश्यों को ध्यान में रखते हुए केन्द्रीय विद्यालय संगठन के पाँचों आंचलिक शिक्षा एवं प्रशिक्षण संस्थानों (ZIETs) के माध्यम से, समर्पित एवं अनुभवी शिक्षकों द्वारा कक्षा 9 से 12 के विद्यार्थियों के लिए यह विद्यार्थी सहायक सामग्री तैयार की गई है। यह केवल परीक्षा की तैयारी की संकलन सामग्री नहीं है, बल्कि विषयों को सरलता से समझने, अवधारणाओं को स्पष्ट करने, नियमित अभ्यास करने और आत्मविश्वास के साथ आगे बढ़ने का एक विश्वसनीय साथी है।

इस सामग्री में विषय-वस्तु को विद्यार्थियों की आवश्यकताओं के अनुरूप सरल, व्यवस्थित एवं दक्षता-आधारित दृष्टिकोण से प्रस्तुत किया गया है। मुझे प्रसन्नता है कि इसे हमारे शिक्षकों के अनुभव, नवाचार और विद्यार्थियों के प्रति उनकी प्रतिबद्धता ने समृद्ध बनाया है। मुझे विश्वास है कि यह सामग्री विद्यार्थियों की सीखने की यात्रा को अधिक सहज, रोचक और प्रभावी बनाएगी तथा उन्हें बोर्ड परीक्षाओं के साथ-साथ जीवन की व्यापक चुनौतियों के लिए भी तैयार करेगी।

मेरा विश्वास है कि जब एक जिज्ञासु विद्यार्थी, प्रेरित शिक्षक और सार्थक शिक्षण संसाधन एक साथ आते हैं, तब शिक्षा केवल उपलब्धि का माध्यम नहीं रहती, बल्कि व्यक्तित्व निर्माण की एक सशक्त प्रक्रिया बन जाती है। यही भावना इस विद्यार्थी सहायक सामग्री के केंद्र में है।

मेरी हार्दिक शुभकामनाएँ हैं कि आप सभी सीखने की इस यात्रा में निरंतर आगे बढ़ें, अपने सपनों को नए आयाम दें और ज्ञान, संवेदनशीलता तथा नवाचार के साथ राष्ट्र निर्माण में अपना महत्वपूर्ण योगदान दें।

शुभकामनाओं सहित।

(विकास गुप्ता)

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BUSINESS STUDIES (054) CLASS-XI, CBSE CURRICULUM 2026-27

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2	Forms of Business Organisations	
3	Public, Private and Global Enterprises	14
4	Business Services	
5	Emerging Modes of Business	10
6	Social Responsibility of Business and Business Ethics	
	Total	**40**
Part B	**Finance and Trade**	
7	Sources of Business Finance	20
8	Small Business	
9	Internal Trade	20
10	International Business	
	Total	**40**
Part C	**Project Work (One)**	20
	Grand Total	**100**

Content	After going through this unit, the student/ learner would be able to:
1. Nature and Purpose of Business	
History of Trade and Commerce in India: Indigenous Banking System, Rise of Intermediaries, Transport, Trading Communities: Merchant Corporations, Major Trade Centres, Major Imports and Exports, Position of Indian Sub-Continent in the World Economy	• To acquaint the History of Trade and Commerce in India
Business – meaning and characteristics	• Understand the meaning of business with special reference to economic and non-economic activities. • Discuss the characteristics of business.
Business, profession and employment – Concept	• Understand the concept of business, profession and employment. • Differentiate between business, profession and employment.
Objectives of business	• Appreciate the economic & social objectives of business. • Examine the role of profit in business.
Classification of business activities - Industry and Commerce	• Understand the broad categories of business activities- industry and commerce.
Industry-types: primary, secondary, tertiary Meaning and subgroups	• Describe the various types of industries.
Commerce-trade: (types-internal, external; wholesale and retail) and auxiliaries to trade; (banking, insurance, transportation, warehousing, communication, and advertising) – meaning	• Discuss the meaning of commerce, trade and auxiliaries to trade. • Discuss the meaning of different types of trade and auxiliaries to trade. • Examine the role of commerce- trade and auxiliaries to trade.
Business risk-Concept	• Understand the concept of risk as a special characteristic of business. • Examine the nature and causes of business risks.

2. Forms of Business Organisations	
Sole Proprietorship-Concept, merits and limitations	• List the different forms of business organizations and understand their meaning. • Identify and explain the concept, merits and limitations of Sole Proprietorship.
Partnership-Concept, types, merits and limitation of partnership, registration of a partnership firm, partnership deed. Types of partners	• Identify and explain the concept, merits and limitations of a Partnership firm. • Understand the types of partnership on the basis of duration and on the basis of liability. • State the need for registration of a partnership firm. • Discuss types of partners –active, sleeping, secret, nominal and partner by estoppel.
Hindu Undivided Family Business: Concept	• Understand the concept of Hindu Undivided Family Business.
Cooperative Societies-Concept, merits, and limitations.	• Identify and explain the concept, merits and limitations of Cooperative Societies. • Understand the concept of consumers, producers, marketing, farmers, credit and housing co-operatives.
Company - Concept, merits and limitations; Types: Private, Public and One Person Company – Concept	• Identify and explain the concept, merits and limitations of private and public companies. • Understand the meaning of one person company. • Distinguish between a private company and a public company.
Formation of company - stages, important documents to be used in formation of a company	• Highlight the stages in the formation of a company. • Discuss the important documents used in the various stages in the formation of a company.
Choice of form of business organization	• Distinguish between the various forms of business organizations. • Explain the factors that influence the choice of a suitable form of business organization.
3. Public, Private and Global Enterprises	
Public sector and private sector enterprises – Concept	• Develop an understanding of Public sector and private sector enterprises
Forms of public sector enterprises: Departmental Undertakings, Statutory Corporations and Government Company	• Identify and explain the features, merits and limitations of different forms of public sector enterprises
Global Enterprises – Feature Joint venture Public private partnership – concept	• Develop an understanding of global enterprises, public private partnership by studying their meaning and features.
4. Business Services	
Business services – meaning and types. Banking: Types of bank accounts - savings, current, recurring, fixed deposit and multiple option deposit account	• Understand the meaning and types of business services. • Discuss the meaning and types of Business service Banking • Develop an understanding of difference types of bank account.
Banking services with particular reference to Bank Draft, Bank Overdraft, Cash credit. E-Banking: meaning, types of digital payments	• Develop an understanding of the different services provided by banks

Insurance – Principles. Types – life, health, fire and marine insurance – concept	• Recall the concept of insurance • Understand Utmost Good Faith, Insurable Interest, Indemnity, Contribution, Doctrine of Subrogation and Causa Proxima as principles of insurance • Discuss the meaning of different types of insurance-life health, fire, marine insurance.
Postal Service - Mail, Registered Post, Parcel, Speed Post, Courier - meaning	• Understand the utility of different telecom services
5. Emerging Modes of Business	
E - business: concept, scope and benefits	• Give the meaning of e-business. • Discuss the scope of e-business. • Appreciate the benefits of e-business • Distinguish e-business from traditional business.
6. Social Responsibility of Business and Business Ethics	
Concept of social responsibility	• State the concept of social responsibility.
Case of social responsibility	• Examine the case for social responsibility.
Responsibility towards owners, investors, consumers, employees, government and community	• Identify the social responsibility towards different interest groups.
Role of business in environment protection	• Appreciate the role of business in environment protection.
Business Ethics - Concept and Elements	• State the concept of business ethics. • Describe the elements of business ethics.
7. Sources of Business Finance	
Concept of business finance	• State the meaning, nature and importance of business finance.
Owners' funds- equity shares, preferences share, retained earnings	• Classify the various sources of funds into owners' funds. • State the meaning of owners' funds.
Borrowed funds: debentures and bonds, loan from financial institution and commercial banks, public deposits, trade credit, Inter Corporate Deposits (ICD)	• State the meaning of borrowed funds. • Discuss the concept of debentures, bonds, loans from financial institutions and commercial banks, Trade credit and inter corporate deposits. • Distinguish between owners' funds and borrowed funds.
8. Small Business	
Entrepreneurship Development (ED): Concept, Characteristics and Need. Process of Entrepreneurship Development: Start-up India Scheme, ways to fund start-up. Intellectual Property Rights and Entrepreneurship	• Understand the concept of Entrepreneurship Development (ED), Intellectual Property Rights
Small scale enterprise as defined by MSMED Act 2006 (Micro, Small and Medium Enterprise Development Act)	• Understand the meaning of small business
Role of small business in India with special reference to rural areas	• Discuss the role of small business in India

Government schemes and agencies for small scale industries: National Small Industries Corporation (NSIC) and District Industrial Centre (DIC) with special reference to rural, backward areas	• Appreciate the various Government schemes and agencies for development of small-scale industries. NSIC and DIC with special reference to rural, backward area.
9. Internal Trade	
Internal trade - meaning and types services rendered by a wholesaler and a retailer	• State the meaning and types of internal trade. • Appreciate the services of wholesalers and retailers.
Types of retail-trade-Itinerant and small scale fixed shops retailers	• Explain the different types of retail trade.
Large scale retailers-Departmental stores, chain stores – concept	• Highlight the distinctive features of departmental stores, chain stores and mail order business.
GST (Goods and Services Tax): Concept and key-features	• Understand the concept of GST
10. International Business	
International trade: concept and benefits	• Understand the concept of international trade. • Describe the scope of international trade to the nation and business firms.
Export trade – Meaning and procedure	• State the meaning and objectives of export trade. • Explain the important steps involved in executing export trade.
Import Trade - Meaning and procedure	• State the meaning and objectives of import trade
	.• Discuss the important steps involved in executing import trade.
Documents involved in International Trade; indent, letter of credit, shipping order, shipping bills, mate's receipt (DA/DP)	• Develop an understanding of the various documents used in international trade. • Identify the specimen of the various documents used in international trade. • Highlight the importance of the documents needed in connection with international trade transactions
World Trade Organization (WTO) meaning and objectives	• State the meaning of World Trade Organization. • Discuss the objectives of World Trade Organization in promoting international trade.

Unit 11 Project Work (as per CBSE guidelines)

ASSESSMENT

The marks will be allocated on the following heads.

1	Initiative, cooperativeness and participation	2 Marks
2	Creativity in presentation	2 Marks
3	Content, observation and research work	4 Marks
4	Analysis of situations	4 Marks
5	Viva	8 Marks
	Total	**20 Marks**

Suggested Question Paper Design

Business Studies (Subject Code 054)   Class XI (2026-27)

Marks: 80   **Duration: 3 hrs.**

S.N.	Typology of Questions	Marks	Percentage
1	**Remembering and Understanding**• Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers.• Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas.	32	40%
2	**Applying**• Solve problems in new situations by applying acquired knowledge, facts, techniques, and rules in a different way.	24	30%
3	**Analysing, Evaluating and Creating**• Examine and break information into parts by identifying motives or causes.• Make inferences and find evidence to support generalizations.• Present and defend opinions by making judgments about information, validity of ideas, or quality of work based on a set of criteria.• Compile information together in a different way by combining elements in a new pattern or proposing alternative solutions.	24	30%
	Total	**80**	**100%**

CHAPTER - 01
EVOLUTION AND FUNDAMENTALS OF BUSINESS

Unit 1: Evolution and Fundamentals of Business Content	After going through this unit, the student/ learner would be able to:
History of Trade and Commerce in India: Indigenous Banking System, Rise of Intermediaries, Transport, Trading Communities: Merchant Corporations, Major Trade Centres, Major Imports and Exports, Position of Indian Sub-Continent in the World Economy	• To acquaint the History of Trade and Commerce in India
Business – meaning and characteristics	• Understand the meaning of business with special reference to economic & non-economic activities. • Discuss the characteristics of business.
Business, profession and employment – Concept	• Understand the concept of business, profession &employment. • Differentiate between business, profession and employment.

History and Trade of Indian Commerce

Long before modern banking, India had a highly sophisticated commercial system. The syllabus highlights how economic activities thrived through specific indigenous mechanisms.

- **Indigenous Banking System:** Ancient banking relied heavily on silver and gold coins, alongside credit instruments.
- **Hundi:** A crucial financial instrument of ancient India. It was an unconditional order in writing made by a person directing another to pay a certain sum of money to a named person.
- **Major Ancient Trade Centres:** Cities like Pataliputra, Taxila, Indraprastha, Mathura, and Surat served as major hubs connecting the Silk Route and Maritime Route.

Types of Hundis

- *Shah Jog Hundi:* Payable only to a respectable person; negotiable in the market.
- *Jokhmi Hundi:* Drawn against goods shipped; the drawer bears the risk if the goods are lost in transit.

CASE BASED QUESTIONS:

1. How Business Plays a Major Role in the Growth and Development of a Nation?

ANS: Business is an important part of every country's economy because it produces goods and services that people need in their daily lives. It contributes to national development in several ways:

i) Creates Employment Opportunities | **ii) Generates Income and Wealth**
iii) Contributes to Government Revenue | **iv) Supports International Trade**
v) Promotes Industrial and Economic Growth | **vi) Improves Standard of Living**
vii) Encourages Innovation and Technology

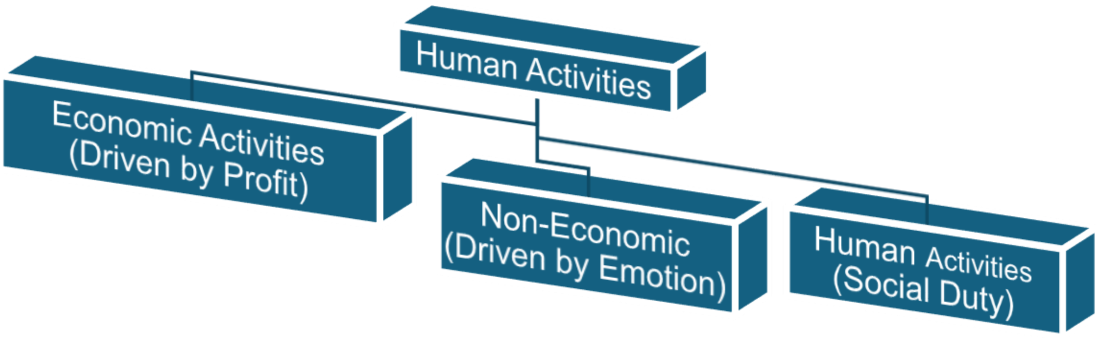
2. Why Business is Regarded as the Backbone of the Economy?

ANS:- Business is called the **backbone of the economy** because:

- ✓ It produces and distributes goods and services.
- ✓ It generates employment and income.
- ✓ It drives economic activities in agriculture, industry, and services.
- ✓ It contributes significantly to national income and GDP.

Concept and Classification of Human Activities

To understand business, we first need to divide all human activities into two distinct categories:



Type of Activity	Meaning	Examples	Main Objective
Economic Activities	Activities undertaken to earn money or livelihood.	Business, Profession, Employment	Earn income or profit
Non-Economic Activities	Activities done out of love, sympathy, or social service.	Helping poor, caring for family	Emotional or social satisfaction

CASE BASED QUESTION:

Q. Is barter system an economic activity?

ANS: Yes, the **barter system is an economic activity**. An economic activity refers to any activity that involves the production, distribution, or exchange of goods and services to satisfy human needs. The barter system fits into this because:

* It involves the **exchange of goods and services** (without using money).
* People trade items they have for items they need.
* It helps in the **allocation of resources** within a society.

For example, if a farmer exchanges wheat for clothes from a tailor, that transaction is an economic activity even though no money is used.

Concept of Business:

Meaning: It refers to that economic activity which is conducted on regular basis to earn profit through the production and sales of goods and services.

Characteristics of Business:

An economic activity qualifies as a "business" only if it exhibits these six essential features:

1. **An Economic Activity:** It is undertaken with the object of earning money or livelihood, not out of love or affection.

2. **Production or Procurement of Goods & Services:** Every business must either manufacture goods or acquire them from producers before offering them to consumers.

3. **Sale or Exchange for Value:** There must be a transfer of ownership for money. Cooking food for your family is not business; cooking food at a restaurant for paying customers is.

4. **Regularity in Dealings:** A single isolated transaction does not constitute a business. Selling your old personal phone is an economic transaction, but running a shop that sells phones every day is a business.

5. **Profit Earning:** The primary motive of any business is to generate profit. No business can survive long on continuous losses.

6. **Uncertainty of Return / Risk:** There is always a possibility of loss due to shifting consumer tastes, competition, or natural disasters.

Menomonic: "Every Product Sold Regularly Produces Uncertainty" Every → Economic Activity, Product → Production/Procurement Sold → Sale or Exchange, Regularly → Regularity in Dealings Produces → Profit Earning, Uncertainty → Risk

Business, Profession & Employment

Basis	Business	Profession	Employment
Mode of Establishment	Entrepreneur's decision and legal formalities.	Membership of a professional body (e.g., ICAI for CAs).	Service contract or letter of appointment.
Nature of Work	Providing goods and services to the public.	Rendering personalized, expert services.	Performing work as per the service contract.
Qualification	No minimum qualification required.	Strict expertise and training required in a specific field.	Qualification as prescribed by the employer.
Reward / Return	Profit earned.	Professional fee charged.	Salary or wages earned.
Risk Element	High risk and uncertainty.	Low risk (fees are usually regular).	No risk (fixed regular salary).

Case Based Question

Q. 1. Three friends—Aman, Bhavna, and Chirag—completed their studies and chose different careers.

- **Aman** opened a mobile accessories store. He invested his own money, purchased goods from wholesalers, and sold them to customers with the aim of earning profit.
- **Bhavna** completed her Chartered Accountancy course and obtained the required certification. She started providing accounting and taxation services to clients and charged professional fees.
- **Chirag** joined a private company as a marketing executive. He works according to the company's rules and receives a fixed monthly salary.

One day, the three friends discussed how their occupations were different in terms of qualifications, risks, rewards, and nature of work.

a) Identify whether Aman, Bhavna, and Chirag are engaged in **business, profession, or employment.**

b) Which occupation requires **specialized knowledge and professional qualification?**

c) Who among the three bears the **highest risk?** Give a reason.

d) What is the reward earned by: Aman ; Bhavna & Chirag

e) Which occupation involves an **employer-employee relationship?**

f) State **two features of business** highlighted in Aman's occupation.

g) Differentiate between **profession and employment** on the basis of:
a) Qualification & b) Reward

h) Can a person be engaged in more than one of these occupations at the same time? Explain with an example.

Answers: a) **Aman – Business, Bhavna – Profession, Chirag – Employment.**

b) **Bhavna's profession** requires specialized knowledge and professional qualification.

c) **Aman** bears the highest risk because profits are uncertain and losses are possible.

d) Rewards: Aman – **Profit** ; Bhavna – **Professional Fees** ; Chirag – **Salary**

e) **Employment** involves an employer-employee relationship.

f) Features of business:
- Sale and purchase of goods.
- Profit motive.

g) Difference between Profession and Employment.

Basis	Profession	Employment
Qualification	Specialized education and training required	Qualification depends on job requirements
Reward	Fees	Salary/ Wages

h) Yes. For example, a doctor may run a private clinic (**profession**) and also own a medical store (**business**).

Classification of Business Activities (Industry and Commerce)

1. Industry

Industry is concerned with the production, processing, or conversion of goods and materials.

- **Primary Industry:** Extracts or reproduces natural resources.
  - *Extractive:* Mining, farming, fishing.
  - *Genetic:* Cattle breeding, poultry farms, plant nurseries.
- **Secondary Industry:** Processes materials extracted by primary industries to produce final goods.
  - *Manufacturing: Transforming raw materials (e.g., sugarcane into sugar).*
  - *Construction:* Building infrastructure like roads, dams, and bridges.

Tertiary Industry: Provides support services to primary and secondary industries (e.g., transport, banking, warehousing).

2. Commerce:

Commerce includes all activities necessary to facilitate the smooth flow of goods from producers to consumers. It removes hindrances of persons, place, time, risk, and finance.

- **Trade:** The actual buying and selling of goods. It can be *Internal* (Domestic/Within borders) or *External* (International: Import, Export, Entrepot).
- **Auxiliaries to Trade:** Activities that assist and support trade:

❖ *Transport:* Removes the hindrance of **place**.
❖ *Banking:* Removes the hindrance of **finance**.
❖ *Insurance:* Removes the hindrance of **risk**.
❖ *Warehousing:* Removes the hindrance of **time** (storage).
❖ *Advertising:* Removes the hindrance of **information**.

CASE BASED QUESTION:

Q.1 Priyanka after completing her graduation in B. Com willing to start boutique, but she is finding some problems like location of shop, Risk of Business, Inventory of goods, marketing, inventory management, changing business environment etc. So she asked this matter to her cousin sister Rishita who further explained her some areas of commerce which can help Priyanka to solve her difficulties.

a) State and explain the type of business activity which Priyanka is going to establish.

b) State the activity of Business can help her to overcome these hindrances.

c) State some different types of Auxiliaries to trade which can help her to survive from her problems. Also quote the line for each type from above para.

Ans: a) Trade- Retail Trade, b) Commerce. **c)** Auxiliary to Trade

	Problem / Line from the Paragraph	**How it Helps**
Transportation	"location of shop"	Helps move goods from suppliers to the boutique and to customers.
Insurance	"Risk of Business"	Protects the business against losses due to theft, fire, accidents, etc.

Warehousing	"Inventory of goods", "Inventory management"	Provides storage facilities and helps manage stock efficiently.
Advertising	"marketing"	Creates awareness and attracts customers to the boutique.
Banking	Implied in starting and running the business	Provides finance, loans, & payment facilities.
Communication	"changing business environment"	Helps gather market information and stay updated with changing trends and customer needs.

Q.2 Dalda Oil Mills produces refined oil. The entire production of oil produced by Dalda Oil Mills is purchased by Raga Oil Depot, who in turn sells it to various retailers. Mrs. Aashi purchased 3 Kg of Dalda oil from Balaji Groceries.

On the basis of above case ,answer the following questions:

a) Which type of trade is this?

b) Name the following:

a) Manufacturer _____b) Wholesaler _________c) Retailer ______d)Consumer______

Ans:- (a) Internal Trade (Home Trade)

(b)

Category	Name
Manufacturer	**Dalda Oil Mills**
Wholesaler	**Raga Oil Depot**
Retailer	**Balaji Groceries**
Consumer	**Mrs. Aashi**

Objectives of Business

Meaning: Goals that guide business operations.

Profit is essential but not the *only* aim.

Importance of profit:

a) Source of income and finance

b) Indicator of efficiency

c) Approval of society for usefulness

d) Builds reputation Balanced approach: Excessive focus on profit may harm customers, employees, and society.

Classification of Objectives

Area	Meaning
Market Standing	Maintain goodwill and reputation by offering quality goods at fair prices.
Innovation	Introduce new ideas, products, or methods to stay competitive.

Productivity	Efficient use of resources to increase output.
Physical & Financial Resources	Acquire and use assets and funds effectively.
Earning Profits	Ensure reasonable returns on capital for survival and growth.
Social Responsibility	Contribute to solving social problems and act ethically.

Case Based Question

Q.1 After completing her studies, **Surabhi** started a small organic food company called **"Good life products"**. As the business grew, she hired local workers, ensured fair wages, used eco-friendly packaging, and organized free health-awareness camps in nearby villages. She also invested in research to improve product quality and customer satisfaction.

Although some of these activities increased costs, Surabhi believed that a business should not only earn profits but also contribute to society and protect the environment.

a) What is the **economic objective** of business highlighted in the case?
b) Identify any **two social objectives** of business mentioned in the case.
c) How is Surabhi fulfilling the **human objective** of business?
d) Which objective is reflected by the use of eco-friendly packaging?
e) Why is profit considered important for the survival of a business?
f) Do you think a business should focus only on profit? Give reasons based on the case.

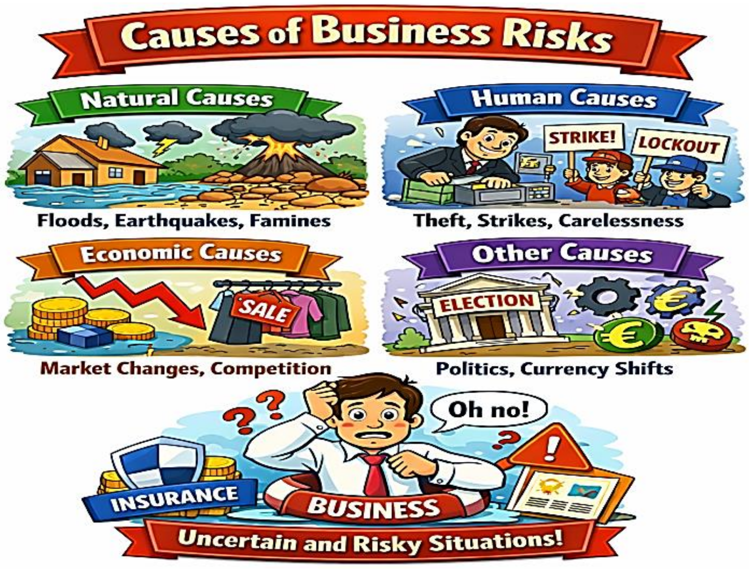
Answer:

a) **Economic Objective:** Earning profits through the sale of organic food products.
b) **Social Objectives:**
  - Providing quality products to consumers.
  - Organizing health-awareness camps.
c) By providing employment and fair wages to local workers.
d) **National/Environmental Objective** (protecting the environment and promoting sustainable development).
e) Profit is necessary for survival, growth, expansion, and meeting business risks.
f) No. A business should also fulfill social, human, and environmental responsibilities, as shown by Surbhi's actions.

Business Risk: Business risk refers to the possibility of inadequate profits or even losses due to uncertain or unexpected events.

Nature of Business Risks

- Risks arise due to **uncertainties** (like sudden changes in government policy or pandemics).
- Risk is an **essential part** of every business; it can be minimized but never completely eliminated.
- The degree of risk depends mainly on the **nature and size** of the business.
- **Profit is the reward** for bearing risks ("No risk, no gain").

Causes of Business Risks **Natural Causes:** Floods, earthquakes, heavy rains, famines. **Human Causes:** Employee dishonesty, strikes, lockouts, carelessness. **Economic Causes:** Market fluctuations, changes in fashion, price drops, increased competition. **Other Causes:** Political instability, mechanical failures, currency fluctuations.	

Case Based Question:

Q.1 Manohar started a small garment manufacturing business in Udaipur after completing his education. He invested his savings and borrowed some money from a bank. Initially, the business performed well, and demand for his products increased.

However, after a few months, several unexpected events occurred. A sudden increase in cotton prices raised his production costs. New fashion trends reduced the demand for some of his products. During the rainy season, water entered his warehouse and damaged a portion of his stock. At the same time, a new competitor entered the market and started selling similar products at lower prices.

Despite careful planning, Manohar faced losses due to these uncertain events. He realized that uncertainty and risk are an unavoidable part of every business activity.

Questions

a) What is meant by **business risk**?

b) Identify any **four risks** faced by Manohar in the case.

c) Which feature of business is highlighted by the statement that "uncertainty and risk are an unavoidable part of every business activity"?

d) Why can business risks not be completely eliminated?

e) Suggest any **two measures** that Manohar can take to reduce business risks.

Answer:-

a) **Business risk** refers to the possibility of inadequate profits or losses due to uncertainties in business activities.

b) Risks faced by Manohar:

i) Sudden increase in cotton prices → **Economic risk** (higher production cost).

ii) Change in fashion trends → **Market risk** (fall in demand).

iii) Flooding in warehouse → **Natural risk** (damage to stock).

iv) Entry of new competitor → **Competitive risk** (price pressure).

c) The feature highlighted is **Risk and Uncertainty**.

d) Business risks cannot be completely eliminated because future events are uncertain and beyond the control of business persons.

e) Measures:
- Taking insurance for stock and property.
- Conducting market research and diversifying products.

Multiple choice questions (MCQs).

1. "Change in technology' is the --------------------- type of cause of business risk.
(a) Human (b) Economic (c) Technical (d) Government Policies

2. Name the reward which Entrepreneur get to bear the Risk-
(a) Goodwill (b) Market Standing (c) More Business. (d) Profit

3. Toothpaste is included under ____________ type of industry.
(a) Analytical Industry (b) Synthetical Industry
(c) Processing Industry (d) Assembling Industry

4. Which of the following cannot be classified as an objective of business?
(a) Profit earning (b) Investment (c) Innovation (d) Productivity

5. Which of the following cannot be classified as auxiliary to trade?
(a) Warehousing (b) Transport (c) Insurance (d) Mining

6. Identify from the following is an economic activity.
a) Health worker treating her patient.
b) Store owner sympathies with a needy elderly person and gives medicines for his ailment.
c) Football coach giving training in football to his daughter for forthcoming match.
d) Services of a housewife doing household chores at home.

7. Read the following statements carefully: In the light of the given statements, choose the correct alternative from the followings:
Statement I- Innovation is defined as an introduction of new ideas or methods in the way something is done or made.
Statement II- Innovation is central to the growth of any business enterprise.
a) Statement I is true and Statement II is false.
b) Statement I is false and Statement II true.
c) Both statements are true.
d) Both statements are false.

8. Tanya is a practicing Chartered Accountant. She has her C.A. Firm in Bangalore. She deals in providing Income Tax and GST related services to her clients against very reasonable consultancy fees. Identify the type of economic activity performed by Tanya as referred to in the above case.
(a) Business (b) Profession (c) Employment (d) None of the above.

9. Which of the following cannot be classified as an auxiliary to trade?
(a) Mining (b) Insurance (c) Warehousing (d) Transport

10. ____________industry which involves successive stages for manufacturing finished products, as in the case of sugar and paper.
a) Assembling b) Processing c) Synthesis d) None of the above

Ans	**1) c**	**2) d**	**3) b**	**4) b**	**5) d**	**6) a**	**7) c**	**8) b**	**9) a**	**10) b**

Assertion and Reasoning Question

Read the following statements- Assertion (A) and Reason(R). Choose one the correct alternatives given below.

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 and Reason (R) is not the correct explanation of Assertion (A).

c) Assertion (A) is true and Reason (R) is false.

d) Assertion (A) is false and Reason (R) is true.

1. **Assertion (A)**: Economic activities are undertaken to earn money.
   Reason (R): Economic activities include business, profession, and employment.
2. **Assertion (A)**: Business risks can be eliminated completely with proper planning.
   Reason (R): All business activities involve some degree of uncertainty.
3. **Assertion (A)**: Profit maximization is the sole objective of business.
   Reason (R): Business has to fulfil social responsibilities apart from earning profit.
4. **Assertion (A)**:- Advertisement and PR activities are the tools to commerce, influence & promote your product, services or an idea to you potential customers & motivate you target customers to recognise your accomplishments.
   Reason (R):- "Advertising is what you pay for and PR is what you pray for".
5. **Assertion**(**A**):- All kinds of Business risk can be protected by Insurance.
   Reason(**R**):- On payment of a nominal premium, the amount of loss or damage and compensation for injury, if any, can be recovered from the insurance company.

Answers	**1) a**	**2) d**	**3) d**	**4) a**	**5) d**

Short Answer Questions (3/4 marks)

1. Why is business considered as economic activity?
2. How does business contribute to the economic development of a country?
3. State the meaning of business. What are the various types of industries?
4. What is the role of profit in business? What is meant by business risk?
5. State the causes of risks involved in business?

Answer

1. Business involves production, purchase, and sale of goods and services with the objective of earning profit. Since it is undertaken for livelihood and wealth creation, it is considered an economic activity.

2. a) Creates employment opportunities.

b) Promotes industrial growth and trade.

c) Generates revenue for government through taxes.

d) Improves standard of living by supplying goods and services.

3. Meaning: Business is an economic activity involving production, purchase, and sale of goods and services for profit.

Types of Industries: Primary Industry – Extractive (agriculture, mining).
Secondary Industry – Manufacturing & construction.
Tertiary Industry – Service sector (banking, transport, IT).

4. Role of Profit: Profit is the reward for risk-bearing, source of growth, & indicator of efficiency.

Business Risk: The possibility of inadequate profits or losses due to uncertainties like competition, demand changes, or natural calamities.

5. Natural causes (floods, earthquakes).
Human causes (carelessness, dishonesty, strikes).
Economic causes (price fluctuations, demand changes).
Other causes (government policies, technological changes).

Long Questions (6 marks):

1. Discuss the development of indigenous banking system in Indian subcontinent.
2. Define business. Describe its important characteristics.
3. Compare business with profession and employment.
4. Define Industry. Explain various types of industries giving examples.
5. Explain the concept of business risk and its causes.

Answer:

1. Ancient India had a well-developed banking system with moneylenders & indigenous bankers (shroffs, chettis, marwaris). They financed trade, issued hundis (bills of exchange), and supported merchants. This system facilitated internal and external trade long before modern banks were established.

2. Definition: Business is an economic activity involving production, purchase & sale of goods and services for profit.
Characteristics:
i) Economic activity. ii) Production/procurement of goods & services.
iii) Sale/exchange for value. iv) Profit motive.
v) Element of risk. vi) Regularity of dealings.

3. Compare business with profession and employment.

Basis	**Business**	**Profession**	**Employment**
Nature	Production/distribution of goods & services	Specialized service	Work for employer
Qualification	No minimum qualification	Specialized knowledge & training	Skills as per job
Reward	Profit	Professional fee	Salary/wages
Risk	High risk	Limited risk	No risk
Regulation	Few legal restrictions	Governed by professional bodies	Contract of service

4. Definition: Industry refers to economic activities concerned with production of goods and services.
Types: Primary Industry – Extractive (mining, farming).
Secondary Industry – Manufacturing (textiles, automobiles) & construction.
Tertiary Industry – Services (banking, transport, IT).

5. **Concept: Business risk is the possibility of loss or inadequate profits due to uncertainties.**
Causes: Natural causes (floods, earthquakes), Human causes (strikes, negligence).
Economic causes (competition, demand fluctuations).
Other causes (government policies, technological changes).

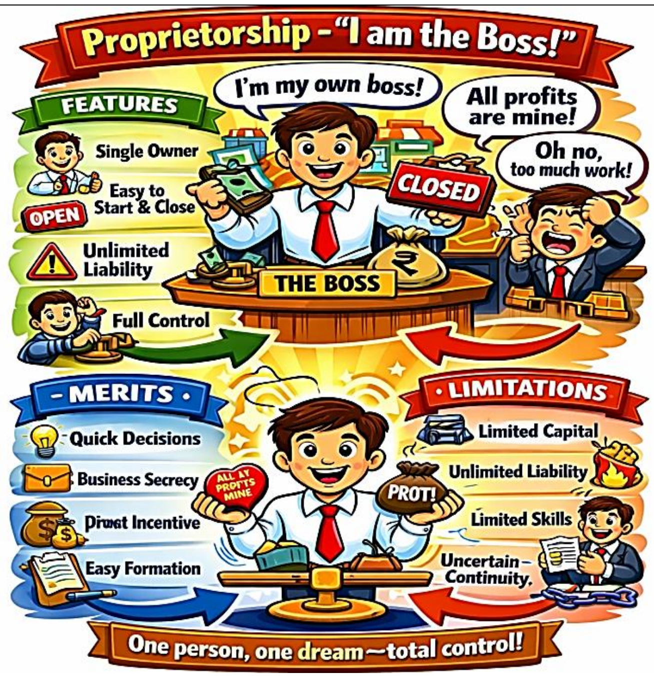
CHAPTER. 02
FORMS OF BUSINESS ORGANISATIONS

➢ **Sole Proprietorship-** ➢ Concept, merits and limitations ➢ **Partnership-** ➢ Concept, ➢ Types, ➢ Merits and limitation of partnership, ➢ Registration of a partnership firm, ➢ Partnership deed. ➢ Types of partners ➢ **Hindu Undivided Family Business:** ➢ Concept ➢ **Cooperative Societies-** ➢ Concept, merits, and limitations.	✓ List the different forms of business organizations and understand their meaning. ✓ Identify and explain the concept, merits and limitations of Sole Proprietorship. ✓ Identify and explain the concept, merits and limitations of a Partnership firm. ✓ Understand the types of partnership on the basis of duration and on the basis of liability. ✓ State the need for registration of a partnership firm. ✓ Discuss types of partners –active, sleeping, secret, nominal and partner by estoppel. ✓ Understand the concept of Hindu Undivided Family Business. ✓ Identify and explain the concept, merits and limitations of Cooperative Societies. ✓ Understand the concept of consumers, producers, marketing, farmers, credit and housing co-operatives.

You are planning to start a business or is interested in expanding an existing one, an important decision relates to the choice of the form of organisation. The most appropriate form is determined by analysing the advantages and disadvantages of each type of organisation against one's own requirements.

1. **Sole Proprietorship** – "I am the Boss!" A Sole proprietorship is a form of business organisation owned, managed, and controlled by a single individual who bears all risks and receives all profits.

Example: A local grocery shop, beauty parlour, tailor shop, etc.



Case Based Question:

Q1. Rajesh Kumar, a 28-year-old entrepreneur from Chandigarh, started "Rajesh Fresh Groceries" as a sole proprietorship business three years ago. He invested ₹2 lakh from his personal savings and borrowed another ₹1 lakh from a bank by mortgaging his father's property.

Rajesh takes all business decisions independently—he decides which products to stock, sets prices, hires two helpers, and manages deliveries. He does not consult anyone before making decisions, which allows him to respond quickly to customer demands. During the pandemic, he switched to home delivery within 2 days when competitors took weeks.

Rajesh earns all the profits directly. Last year, his business generated ₹18 lakh in revenue with ₹14 lakh in expenses, giving him ₹4 lakh profit which he kept entirely for himself as reward for his risk-bearing.

However, Rajesh faces challenges. His business liability is unlimited—if the business cannot pay its debts, creditors can claim his personal assets including his house and car. Also, the business's existence depends entirely on him. If he becomes ill or passes away, the business will cease automatically.

Recently, Rajesh realized he cannot expand beyond Chandigarh because he lacks capital and managerial expertise to handle multiple locations. He works alone and cannot afford to hire professional managers.

a. What form of business organization has Rajesh chosen? Identify two features demonstrated in the case.
b. How does Rajesh's ability to switch to home delivery within 2 days demonstrate a key feature of sole proprietorship?
c. What risk does Rajesh face when creditors can claim his personal house and car? Name this feature.
d. Why will Rajesh's business cease if he becomes ill or passes away? Which feature explains this?
e. What limitation prevents Rajesh from expanding beyond Chandigarh? Explain two reasons.

Ans. a. Two features demonstrated:

- **Single ownership:** Rajesh alone owns and controls the business.
- **Direct incentive:** He keeps all profits as a reward for his risk-bearing.

b. This demonstrates the feature of **Quick Decision-Making**. A sole proprietor can take decisions independently without consulting others, enabling fast responses to market changes — as Rajesh did during the pandemic.

c. This shows the feature of **Unlimited Liability**. If the business cannot pay its debts, Rajesh’s personal assets (house, car) can be used to settle obligations.

d. This reflects the feature of **Lack of Continuity**. The existence of a sole proprietorship depends entirely on the owner; the business ends with his death or incapacity.

e. Rajesh faces the limitation of **Limited Capital and Managerial Ability**.

- **He has restricted financial resources since he relies on personal savings and small loans.**
- **He manages alone and cannot afford professional managers, limiting growth and expansion**.

Joint Hindu Family Business (HUF):- A business owned and operated by members of a Hindu Undivided Family.

Features	Merits	Limitations
• Membership by birth • Managed by the **Karta** • Karta has unlimited liability • Other members have limited liability • Continuity of business	• Effective control • Stable existence • Limited liability for members • Family loyalty	• Limited resources • Karta bears major responsibility • Possibility of family conflicts
Suitable For: Traditional family business.		

A Joint Hindu Family Business is a business organization owned by members of a Hindu Undivided Family and managed by the Karta according to Hindu law.

CASE BASED QUESTION:

The Sharma family in Delhi runs *Sharma & Sons*, a **Joint Hindu Family Business**.
The eldest member, Mr. Ramesh Sharma, is the **Karta** and takes all major decisions. Other family members contribute by working in the business but do not interfere in decision-making.
The business has been running for decades and continues even when family members join or leave. All members are loyal to the family tradition and support the Karta. However, the business faces challenges: resources are limited, the Karta bears the entire responsibility, and sometimes disagreements arise among family members about profit distribution.

a. Identify the form of business organization in the case.
b. Which merit is shown when Mr. Ramesh Sharma (Karta) takes all major decisions independently?
c. The business continues even when family members join or leave. Which merit does this highlight?
d. Why do family members remain loyal and support the Karta? Which merit is reflected here?
e. Creditors cannot claim personal property of members beyond their share. Which merit is reflected here?
f. What limitation is shown when the business cannot expand due to lack of funds?
g. Which limitation is highlighted when the Karta bears the entire responsibility of management?
h. Family disagreements about profit distribution reflect which limitation?

Ans

a) *Joint Hindu Family Business.*
b) *Effective Control* — the Karta has complete authority, ensuring quick and unified decision-making.
c) *Stable Existence* — the business continues due to the principle of perpetual succession in a Joint Hindu Family.
d) *Family Loyalty* — members are bound by tradition and trust, ensuring cooperation.
e) *Limited Liability for Members* — only the Karta has unlimited liability; other members' liability is limited to their share in the business.
f) *Limited Resources* — capital is restricted to family's own funds.
g) *Karta Bears Major Responsibility* — success or failure depends heavily on one

person.

h) *Possibility of Family Conflicts* — disputes among members can affect harmony and efficiency.

Partnership:-

An association of two or more persons who agree to share profits & losses of a business.

Features	Merits	Limitations
• Formed through a partnership agreement • Minimum 2 partners • Unlimited liability • Mutual agency • Continuity in operations	• More capital • Better decision-making • Sharing of risks • Easy formation • Ease of formation and closure:	• Unlimited liability • Possibility of conflicts • Lack of continuity • Limited resources compared to a company
Important Document **Partnership Deed** – Written agreement containing terms and conditions of partnership.		

CASE BASED QUESTION

Q.1 Dr. Amit Sharma, Dr. Priya Verma, and Dr. Rajesh Kumar, three close friends who graduated from the same medical college, decided to start a joint medical clinic named "HealthCare Partners" in Chandigarh. They entered into a written partnership agreement called "Partnership Deed" which clearly defined their roles, profit-sharing ratio (8:7:5), capital contributions, and decision-making process.

Each doctor contributed ₹10 lakhs as capital, totaling ₹30 lakhs. Dr. Amit specialized in diagnosis & took charge of patient consultations, Dr. Priya managed equipment purchases and inventory, while Dr. Rajesh handled administrative work and billing. They believed that combining their individual strengths would make the clinic more successful than if any of them worked alone.

The partnership agreement stated that "each partner can bind the firm by their actions." When Dr. Amit purchased medical equipment worth ₹5 lakhs from a supplier on credit without consulting the other two, the supplier demanded payment from all three doctors. Initially, Dr. Priya and Dr. Rajesh refused, saying only Dr. Amit should pay, but their lawyer explained that all partners are jointly liable for business contracts.

The clinic also faced unlimited liability when it incurred debts of ₹15 lakhs due to a slow initial period. The partners had to use their personal savings to repay the debts because business funds were insufficient.

However, the partnership had several advantages. They could raise more capital than as sole proprietors (₹30 lakhs vs. ₹10 lakhs each could have raised alone). Decision-making was better because they discussed major issues together and combined their medical expertise. The clinic grew faster than expected, and each partner enjoyed the profits according to their agreed ratio.

They also benefited from mutual agency when Dr. Rajesh signed a contract with a pharmaceutical company for medicine supply, it bound all three partners even though only he negotiated it.

a. What is the maximum number of partners allowed in a partnership firm as per the Companies Act, 2013?

b. Identify the feature of partnership demonstrated when Dr. Amit's purchase of equipment bound all three partners. Explain this feature.

c. What feature explains why all three doctors had to use personal savings to repay ₹15 lakh business debt?
d. Name two merits of partnership demonstrated in this case study that helped the clinic succeed.
e. What document did the partners create to define their roles and profit-sharing ratio? Is it compulsory?
f. How did the partnership help the doctors overcome the limitations of sole proprietorship mentioned in the case?

Answer:

a. As per the **Companies Act, 2013**, the maximum number of partners in a partnership firm is **50**.

b. Mutual Agency: In a partnership, each partner is both an agent and principal. Any act done by one partner in the ordinary course of business binds all other partners. Hence, Dr. Amit's purchase of equipment made all three liable.

c Unlimited Liability.:- Partners are personally liable for the debts of the firm. If business assets are insufficient, creditors can claim partners' personal property.

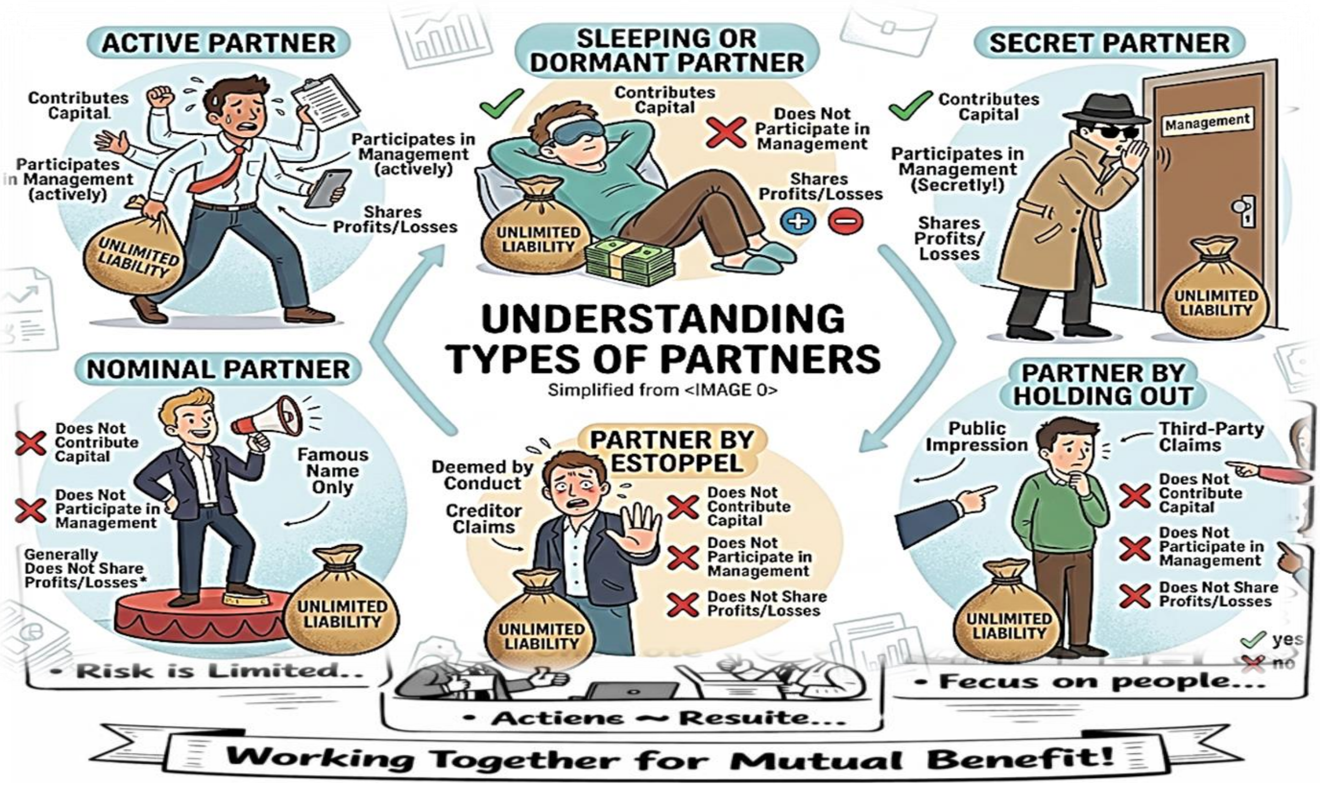
d (i) More Capital Availability: Together they raised ₹30 lakhs, more than what each could raise alone.

(ii) Better Decision-Making: They combined medical expertise and discussed major issues collectively, leading to sound decisions.

e Partnership Deed.: - **No** — it is not legally compulsory, but highly recommended to avoid disputes.

f Capital Limitation Overcome: As sole proprietors, each could raise only ₹10 lakhs; together they pooled ₹30 lakhs.

Managerial Limitation Overcome: By combining their expertise (diagnosis, equipment management, administration), they overcame the lack of professional specialization faced in sole proprietorship.



Merits and Limitations of cooperative society

Merits	Limitations	Types
• Equality in voting • Government support • Stable existence • Limited liability	• Limited capital • Government control • Lack of secrecy • Management inefficiency	• Consumer Cooperative • Producer Cooperative • Marketing Cooperative • Credit Cooperative • Housing Cooperative

Case Based Question

Q1. In a village of Udai**pur**, small dairy farmers were facing difficulties in selling their milk. Middlemen purchased milk at very low prices, leaving the farmers with little profit. To solve this problem, 50 dairy farmers came together and formed **"Udaipur Dairy Cooperative Society."**

The society collected milk from all members and sold it directly to processing plants and consumers. Every member had an equal right to participate in decision-making, regardless of the amount of milk supplied. The society was registered under the Cooperative Societies Act and had its own legal identity. The liability of members was limited to the amount they had contributed. The main objective of the society was not to earn maximum profit but to improve the economic condition of its members.

As a result, the farmers received better prices for their milk and their standard of living improved.

a. Identify the form of business organization discussed in the case.

b. Explain the feature of a cooperative society reflected in the statement.:- "50 dairy farmers came together and formed Udaipur Dairy Cooperative Society."

c. Which feature is highlighted by the statement:- "The society was registered under the Cooperative Societies Act and had its own legal identity."

d. Identify the feature reflected in the statement:- "The liability of members was limited to the amount they had contributed."

e. Which feature is highlighted by the statement:**-** "Every member had an equal right to participate in decision-making."

f. Which feature is reflected in the statement:**-** "The main objective of the society was not to earn maximum profit but to improve the economic condition of its members."

g. State any two advantages of the cooperative society shown in the case.

Answer

a: Cooperative Society

b: Voluntary Membership: A cooperative society is formed voluntarily by persons who wish to work together for their common benefit.

c: Separate Legal Entity: A cooperative society has a legal existence separate from its members.

d: Limited Liability: Members are liable only up to the extent of their capital contribution.

e: Democratic Management: The affairs of a cooperative society are managed democratically on the principle of

"One Member, One Vote."

f: Service Motive: The primary objective of a cooperative society is to serve its members rather than maximize profits.

g: i) Better prices for members' products.

ii) Protection from exploitation by middlemen.

Joint Stock Company

1. An artificial person: created by law with a separate legal existence.

2. Separate Legal Entity: A company has its own legal identity separate from its owners (shareholders) It can own property, enter into contracts, and sue or be sued in its own name.

3. Perpetual Succession: The company continues to exist even if shareholders or directors change, retire, become insolvent, or die.

4. Limited Liability: The liability of shareholders is limited to the amount unpaid on the shares held by them. Their personal assets are not at risk.

5. Transferability of Shares: Shares of a company can be easily transferred from one person to another, especially in public companies.

6. Professional Management: The company is managed by qualified & experienced directors and managers who are appointed to run the business efficiently.

Mnemonics : "SLTPP" → Separate Legal Entity, Limited Liability, Transferability of Shares, Perpetual Succession, Professional Management.

"Smart People Like Investing Through Professionals."

Case Based Question

Q.1 Rashtra Vision Solutions Ltd. was incorporated under the Companies Act, 2013. It is engaged in software development and IT services. The company has a separate legal identity from its shareholders. Mr. Sharma, one of the shareholders, invested ₹5 lakhs in the company by purchasing shares. Unfortunately, he passed away due to a medical emergency. However, the company continued its operations without any interruption.

The company's assets include computers, office building, and patents, all owned in the company's name, not in the shareholders' names. Mr. Sharma's son inherited his shares and transferred them to another investor without requiring approval from other shareholders. The company is managed by a Board of Directors consisting of professional managers, not by the shareholders directly.

Recently, the company faced financial difficulties and incurred debts of ₹2 crores. Creditors demanded payment from Mr. Sharma's estate, but it was clarified that his liability was limited only to the amount unpaid on his shares.

a. Why is Rashtra Vision Solutions Ltd. called an "artificial person"?

b. What feature of the company is demonstrated when it continued operations after Mr. Sharma's death?

c. How does the concept of "limited liability" protect Mr. Sharma's estate?

d. Which feature allows Mr. Sharma's son to transfer shares without approval?

e. Who manages the company on behalf of the shareholders?

Answer

a. A company is called an **artificial person** because it is created by law and exists independently of its members. It can own property, enter into contracts, and sue or be sued in its own name — just like a natural person — but it has no physical existence.

b: This shows the feature of perpetual succession. The company's existence is not affected by the death, insolvency, or retirement of any shareholder; it continues to operate until legally dissolved.
c: Under the feature of limited liability, a shareholder's responsibility for the company's debts is restricted to the unpaid amount on their shares. Therefore, Mr. Sharma's estate cannot be held liable for the company's ₹2 crore debt beyond his ₹5 lakh investment.
d: This reflects the feature of transferability of shares. In a public company, shareholders can freely transfer their shares to others without needing consent from fellow shareholders.
e: The company is managed by a Board of Directors, elected by shareholders. These professional managers make decisions and run the business on behalf of the owners.

Difference between Public company and Private company

Basis	Public company	Private company
1. Members	Minimum - 7 Maximum – unlimited.	Minimum - 2 Maximum - 200.
2. Minimum number of directors	Three.	Two.
3. Index of members	Compulsory.	Not compulsory.
4. Transfer of shares	No restriction.	Restriction on transfer.
5. Invitation to public to subscribe to	Can invite the public to subscribe to its shares or debentures.	Cannot invite the public to subscribe to its securities.

Types of Companies

1. Private Company

- Minimum 2 members
- Restricts share transfer
- Cannot invite public to buy shares

2. Public Company

- Minimum 7 members
- Shares freely transferable
- Can invite public to subscribe to shares

Merits

- Large capital
- Limited liability
- Professional management
- Continuity of business

Limitations

- Complex formation
- Heavy legal formalities
- Lack of secrecy
- Slow decision-making

ONE PERSON COMPANY:-

A One Person Company (OPC) in India is a corporate entity that lets a single entrepreneur run a limited-liability company with full control and separate legal identity — **ideal for solo founders in Chandigarh and across India under the Companies Act, 2013.**

Definition: - One Person Company or OPC: According to Sec.2 (62) of the Companies Act, 2013, 'company which has only 1 person as a shareholder'. Rule number 3 of the Companies (Incorporation) Rules,2014 says that:

a. Only a natural person who is an Indian citizen & an Indian resident can form 1 person company.
b. It cannot execute non-banking financial investment pursuits.
c. It is paid-up share capital which is not more than ₹ 50 Lakhs.
d. Its aggregate annual turnover of 3 years does not cross ₹ 2 Crores.

Factors Affecting Choice of Business Organisation:

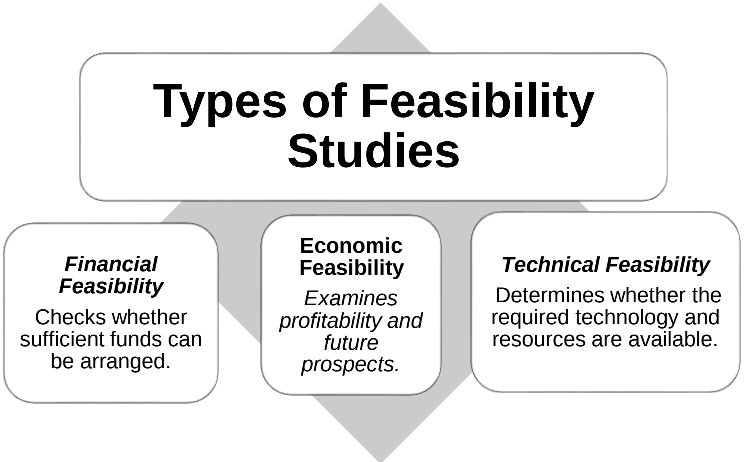
- Nature of business, Scale of operations, Capital requirement
- Degree of control desired, Liability and risk, Managerial ability
- Continuity requirement, Legal formalities

A company is an artificial person created by law. Before a company starts its business operations, it has to go through certain legal procedures. These procedures are collectively known as the **Formation of a Company**.

The formation of a company involves the following three stages: (**Mnemonic-PIC**)
1. Promotion, 2. Incorporation and 3. Capital Subscription

1. Promotion Stage:- Promotion is the first stage in the formation of a company. It involves identifying a business opportunity and taking steps to establish the company.
Promoter:- A promoter is a person who conceives the idea of a business and takes necessary steps to form a company.

Functions of Promoter	
i) Identifies business opportunity ii) Conducts feasibility studies iii) Decides company name	iv) Appoints professionals (lawyers, accountants) v) Prepares necessary documents vi) Arranges initial finance



2. Incorporation Stage:- Incorporation means the legal registration of a company under the Companies Act. After incorporation, the company gets a separate legal existence.

Important Documents	
1. **Memorandum of Association (MOA) – Defines objectives & powers.** **Clauses of MOA** 1. Name Clause 2. Registered Office Clause 3. Objects Clause 4. Liability Clause 5. Capital Clause 6. Association Clause	**2. Articles of Association (AOA) – Contains the internal rules and regulations of the company.** 3. Consent of Directors 4. Statutory Declaration of Compliance 5. Receipt of Payment of fee: 6. Prospectus 7. Certificate of Incorporation 8. Preliminary Contracts

Basis of Difference	Memorandum of Association (MoA)	Article of Association (AoA)
1. Objectives	The purposes for which the company's internal rules are developed are defined in the Memorandum of Association.	The company's management is governed by the articles of association. They describe how the company's goals will be met.
2. Position	This is the company's primary document and it is governed by the Companies Act.	This is a supporting document that exists along side the Memorandum of Association & the Companies Act.
3. Relationship	The company's interaction with outsiders is defined by the Memorandum of Association.	Articles clarify the members' and company's connection.

4. Validity	Acts that go beyond the Memorandum of Association are void and cannot be ratified by the members even if they vote unanimously.	Members can ratify acts that go beyond the Articles as long as they don't contradict the Memorandum.
5. Necessity	A Memorandum of Association is required for every business.	Articles of Association are not required to be filed by a public limited business. Table F of the Companies Act of 2013 may be adopted.

3. **Capital Subscription:** At this stage, a public company raises capital from the public by issuing shares. A public company raising funds from the public needs to take following steps for fundraising:
(i) SEBI approval;
(ii) File a copy of prospectus with the Registrar of Companies;
(iii) Appointment of brokers, bankers and underwriters etc.;
(iv) Ensure that minimum subscription is received;
(v) Application for listing of company's securities;
(vi) Refund/adjust excess application money received;
(vii) Issue allotment letters to successful applicants; and
(viii) File return of allotment with the Registrar of Companies (ROC).

A public company, raising funds, raising funds from friends/relatives (not public) has to file a statement in lieu of prospectus with the ROC at least three days before allotment of shares and returns of allotment after completing the allotment. As per the SEBI guidelines, minimum subscription has to be 90% of the shares to be issued to be public.
Minimum Subscription: - The minimum amount that must be raised before shares are allotted.
Preliminary Contracts: Contracts signed by promoters with third parties before the incorporation of company.
Provisional Contracts: Contracts signed after incorporation but before commencement of business.
Case Based Questions
Q.1. Three childhood friends Radhe, Abhi, and Pari after completing their MBA noticed a severe lack of affordable electric vehicle (EV) charging stations in their city. They conducted extensive market research, analyzed technical feasibility, and estimated that an initial investment of ₹50 Lakhs would be required to set up a network of solar-powered charging stations.
To turn this idea into reality, Radhe prepared a detailed feasibility report and short-listed the name **"Green Energy Ltd."** They submitted an application to the Registrar of Companies (RoC) to check the availability of the name. Once the name was approved, Abhi took charge of drafting two critical documents:
One document defined the company's main objectives, its scope of operations, and the boundary beyond which it cannot legally act. The other document contained the internal rules and regulations for managing the daily operations of the company. They also appointed professional experts like bankers and auditors, and signed contracts with solar panel suppliers before the company was legally registered. After completing all the

formalities and paying the required fees, the Registrar issued a document that legally brought **"Green Energy Ltd."** into existence as a distinct legal entity.

a. Identify the stage of company formation being carried out by Radhe, Abhi, and Pari in the beginning when they were conducting research and applying for the name. **(1 Mark)**

b. What is the technical term used for individuals like Radhe, Abhi, and Pari who conceive a business idea and take all the necessary steps to form a company? **(1 Mark)**

c. Identify the two critical documents being drafted by Abhi. Write their exact names. **(2 Marks)**

d. Before the company was legally registered, the trio signed contracts with solar panel suppliers. What are these specific types of contracts called, and is the company legally bound by them after incorporation? **(2 Marks)**

e. Name the final document issued by the Registrar that brought the company legally into existence. From which date does the company become a separate legal entity? **(2 Marks)**

Ans

a: **Promotion Stage**: This is the first stage in the formation of a company. It involves conceiving a business opportunity and taking the initiative to analyze its feasibility.

b: **Promoters:-** A promoter is a person (or a group of persons) who conceives the idea of forming a company, evaluates its feasibility, and takes steps to get it registered.

c: **Memorandum of Association (MoA):** This is the document that defines the company's objectives, scope, and boundaries. It is known as the charter or constitution of the company.

Articles of Association (AoA): This is the document that contains the rules, regulations, and bye-laws for the internal management of the company.

d: **Type of Contracts: Preliminary Contracts** (or Pre-incorporation Contracts).

Legal Binding: No, the company is **not legally bound** by these contracts after incorporation. Because the company did not legally exist when these contracts were signed, it cannot be held liable. The promoters remain personally liable for them unless the company enters into a fresh contract after incorporation.

e: **Document Issued: Certificate of Incorporation**.

Effective Date: A company becomes a separate legal entity from the **exact date printed on the Certificate of Incorporation**, not the date it was applied for or handed over.

Exercise

Multiple choice questions

Q1. In a Joint Hindu Family business, the liability of 'Karta' is ___________, whereas the liability of all other co-parceners is ___________.

A) Unlimited, Limited B) Limited, Unlimited C) Limited, Limited D) Unlimited, Unlimited

Q2. Which form of business organisation is automatically governed by the Partnership Act, 1932?

A) Sole Proprietorship B) Joint Stock Company C) Partnership D) Cooperative Society

Q3. The principal of "One Man, One Vote" governs which form of business organisation?

A) Partnership B) Joint Stock Company

C) Cooperative Society D) Sole Proprietorship

Q4. A partner whose association with the firm is unknown to the general public is called

A) Sleeping Partner B) Secret Partner C) Nominal Partner D) Partner by Estoppel

Q5. What is the maximum number of members permitted in a Private Company according to the Companies Act, 2013?

A) 20 B) 50 C) 100 D) 200

Q6. Which document is known as the charter or the principal document of a company, defining its core objectives and boundaries?

A) Articles of Association B) Memorandum of Association

C) Prospectus D) Certificate of Incorporation

Q7. The Articles of Association (AoA) of a company contain rules and regulations regarding:

A) The relationship between the company and outsiders

B) The internal management and conduct of the company's affairs

C) The national share capital limits

D) The official name approval guidelines

Q8. What is the minimum number of signatories required to sign the Memorandum of Association for a Public Company and a Private Company respectively?

A) 7 and 2 B) 5 and 3 C) 2 and 7 D) 50 and 2

Q9. A company legally comes into existence as a separate corporate body from the exact date mentioned on the:

A) Prospectus B) Certificate of Incorporation

C) Memorandum of Association D) Certificate of Commencement of Business

Q10. As per SEBI guidelines, a public company cannot allot shares unless it receives a minimum subscription of ___________ of the total issued amount.

A) 90% B) 33% C) 50% D) 60%

Answer 1. A) Unlimited, Limited

2: C) Partnership

3: C) Cooperative Society

4: B) Secret Partner

5: D) 200 *(excluding past and present employees)*

6: B) Memorandum of Association

7: B) The internal management and conduct of the company's affairs

8: A) 7 and 2

9: B) Certificate of Incorporation

10: A) 90%

Assertion and Reason Questions

In each of the questions given below, there are two statements marked as **Assertion (A)** and **Reasoning (R)**. Read the statements and choose the correct option from the following:

(a) Both (A) and (R) are true and (R) is the correct explanation of (A).

(b) Both (A) and (R) are true but (R) is *not* the correct explanation of (A).

(c) (A) is true but (R) is false.

(d) (A) is false but (R) is true.

Q1. **Assertion (A):** A cooperative society can continue to exist smoothly even if all its existing members leave or pass away.

Reasoning (R): A cooperative society enjoys stable, perpetual succession upon its mandatory registration under the Cooperative Societies Act, 1912.

Q2. **Assertion (A):** A Nominal Partner does not contribute any capital to the partnership firm and does not take part in its daily management.
Reasoning (R): A Nominal Partner is not liable to the secret creditors or outside lenders of the firm.

Q3. **Assertion (A):** A Private Limited Company can easily raise massive amounts of capital from the general public compared to a Partnership firm.
Reasoning (R): The Companies Act, 2013 strictly prohibits private companies from inviting the public to subscribe to their shares or securities.

Q4. **Assertion (A):** The Memorandum of Association (MoA) is considered the most critical, fundamental charter document of a company.
Reasoning (R): The Articles of Association (AoA) contain rules, regulations, and bylaws for the internal management of the company.

Q5. **Assertion (A):** A private limited company can start its commercial operations immediately after obtaining its Certificate of Incorporation.
Reasoning (R): Private companies do not issue a prospectus or raise funds from the general public, exempting them from requiring a Certificate of Commencement of Business.

Answer	**1 : (a)**	**2: (c)**	**3: (d)**	**4: (b)**	**5: (a)**

Short Answer Questions (3/4 MARKS QUESTIONS)

1. Name the stages in the formation of a company.
2. List the documents required for the incorporation of a company.
3. What is a prospectus? Is it necessary for every company to file a prospectus?
4. Briefly explain the term ‘Return of Allotment’.
5. At which stage in the formation of a company does it interact with SEBI.

ANS: 1. Name the stages in the formation of a company.

i) Promotion
ii) Incorporation
iii) Capital Subscription (for public companies)
iv) Commencement of Business (for public companies)

ANS: 2. The documents required for the incorporation of a company.

i) Memorandum of Association (MOA)
ii) Articles of Association (AOA)
iii) Written consent of directors
iv) Statutory declaration by an advocate/CA/CS
v) Notice of registered office
vi) Copies of agreements (if any)

ANS: 3. A prospectus is a document inviting the public to subscribe for shares or debentures of a company.

It is not necessary for every company. Only public companies inviting public subscription must issue a prospectus. Private companies and public companies not inviting the public need not file one.

ANS: 4. Briefly explain the term ‘Return of Allotment’. It is a statement filed with the Registrar of Companies giving details of shares allotted to shareholders, including number, nominal value, and names of allottees.

ANS: 5. At the Capital Subscription Stage, when a public company raises funds from the public, it must comply with SEBI guidelines.

Long Answer Questions (6 MARKS QUESTIONS)

1. What is meant by the term 'Promotion'. Discuss the legal position of promoters with respect to a company promoted by them.
2. Explain the steps taken by promoters in the promotion of a company.
3. What is a 'Memorandum of Association'? Briefly explain its clauses.
4. Distinguish between 'Memorandum of Association' and 'Articles of Association.'
5. What is the meaning of 'Certificate of Incorporation'?

ANS1. *Promotion* refers to the process of conceiving a business idea and taking steps to form a company.

Legal position of promoters:

*They are not trustees or agents of the company but stand in a fiduciary position.

*They must disclose all material facts and avoid secret profits.

*They are personally liable for contracts made before incorporation unless the company adopts them later.

ANS 2. The steps taken by promoters in the promotion of a company.

1. Identification of business opportunity.
2. Conducting feasibility studies (technical, financial, economic).
3. Assembling resources (capital, personnel, machinery).
4. Preparing documents (MOA, AOA, agreements).
5. Approaching professionals and financial institutions.

ANS 3. The Memorandum of Association (MOA) is the charter of the company defining its objectives and scope.

Clauses: **Name Clause** – company's name.,

Registered Office Clause – location of office.

Object Clause – main and ancillary objectives.

Liability Clause – liability of members.

Capital Clause – authorized share capital.

Association Clause – declaration by subscribers.

ANS 4.

Basis	Memorandum of Association (MOA)	Articles of Association (AOA)
Meaning	Charter of the company	Internal rules of management
Scope	Defines objectives and powers	Deals with routine management
Alteration	Difficult, requires approval of authority	Easier, altered by special resolution
Necessity	Mandatory for all companies	Mandatory for public companies, optional for private

ANS 5. It is a legal document issued by the Registrar of Companies after verifying all incorporation documents.

It serves as conclusive evidence of the company's existence.

From the date mentioned, the company becomes a separate legal entity with perpetual succession.

CHAPTER - 3
PUBLIC, PRIVATE AND GLOBAL ENTERPRISES

Content	**After going through this unit, the student/learner would be able to**
Public sector and private sector enterprises-concept	Develop an understanding of Public sector and private sector enterprises
Forms of Public sector enterprises; Departmental Undertakings, Statutory Corporations and Government Company	Identify and explain the features, merits and limitations of different forms of public sector enterprises
Global Enterprises – Features Joint Venture Public private partnership – concept	Develop an understanding of global enterprises, public private partnership by studying their meaning and features

Private and Public Sectors

Private Sector: The private sector consists of business owned by individuals or a group of Individuals. The various forms of organisation are sole proprietorship, partnership, Joint Hindu Family business, Cooperative societies and Company.

Public Sector: The Public Sector consists of various organisations owned and managed by the government. These organisations may either be partly or wholly owned by the central or state government. They may be a part of the Ministry or come into existence by a Special Act of Parliament.

Forms of Public Sector Enterprises

1. Departmental Undertakings
2. Statutory Corporations
3. Government Companies

Departmental Undertakings: A departmental undertaking is run through a ministry by Civil servants. It is under the ultimate control of the minister concerned. It is financed by the Government budget and is subject to all the rules and regulations of the Government. It is wholly owned by the Government. Examples: (a) Railways, (b) Posts and Telegraph, etc.

Features:

1. Funding – These enterprises are funded directly from Government Treasury based on Annual Budget. **2. Accounting & Audit** – Audit and Accounting are similar to any other Government activities. **3. Employees** – The recruitment and conditions of service of the employees are at par with other Government servants. **4. Control** – This department is subject to direct control of the ministry. **5. Management** – They are accountable to the concerned ministry.	MNEMONICS – “F A E C M” "Funds And Employees Create Management" **F**unding **A**ccounting & Audit Employees **C**ontrol **M**anagement

Merits 1. These undertakings facilitate the Parliament to exercise effective control over their operations

2. These ensure a high degree of public accountability

3. The revenue earned by the enterprise goes directly to the treasury and hence is a source of income for the Government

4. Where national security is concerned, this form is most suitable since it is under the direct control and supervision of the concerned Ministry.

Limitations:

1. Departmental undertakings fail to provide flexibility, which is essential for the smooth operation of business
2. The employees or heads of departments of such undertakings are not allowed to take independent decisions, without the approval of the ministry concerned. This leads to delays, in matters where prompt decisions are required
3. These enterprises are unable to take advantage of business opportunities. The bureaucrat's over-cautious and conservative approval does not allow them to take risky ventures
4. There is red-tapism in day-to-day operations and no action can be taken unless it goes through the proper channels of authority
5. There is a lot of political interference through the ministry.

CASE STUDY (Long Answer Type – 6 Marks)

Q.1The **Indian Postal Department** is one of the oldest public sector enterprises in India. It functions under the direct control of the Ministry of Communications. The department receives funds from the Government Treasury through the annual budget. Its employees are recruited and governed by the same service rules applicable to other government servants.

The department maintains its accounts and undergoes audit in the same manner as other government departments. The revenue earned from postal services is deposited directly into the Government Treasury. Since postal services are closely linked with national security and public welfare, the Government exercises strict control over its operations.

However, due to the need for approval from higher authorities, important decisions often get delayed. Employees are unable to take independent decisions, and all proposals have to pass through various levels of authority. This sometimes results in red-tapism and limits the department's ability to take advantage of new business opportunities.

Based on the above case, answer the following questions:

(i) Identify the form of public sector enterprise described in the case.

(ii) State any two features of this form of organisation highlighted in the case.

(iii) Explain any two merits of this form of organisation reflected in the case.

(iv) Identify any two limitations of this form of organisation mentioned in the case.

(v) Why is this form of organisation considered suitable where national security is involved?

Answer (i) Departmental Undertaking.

(ii) (Any Two)

a) Funded directly from Government Treasury through the annual budget.
b) Employees are treated as government servants.
c) Subject to direct control of the concerned ministry.
d) Accounting and audit are conducted like other government departments.
e) Accountable to the concerned ministry.

(iii) (Any Two)

a) Ensures a high degree of public accountability.
b) Facilitates effective Parliamentary control over operations.
c) Revenue earned goes directly to the Government Treasury.
d) Most suitable for activities related to national security due to direct government supervision.

(iv) (Any Two)

a) Lack of operational flexibility.
b) Delay in decision-making due to multiple approvals.
c) Inability to take advantage of business opportunities.
d) Red-tapism in day-to-day operations.
e) Political interference through the ministry.

(v) It remains under the direct control and supervision of the Government ministry, ensuring confidentiality, accountability, and effective monitoring of activities related to national security.

Statutory Corporation:

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.

Features

Formation- Created by a Special Act of Parliament or State Legislature **Ownership-**Wholly owned by the Government **Separate Entity-** Has a separate legal identity from the Government **Funding-** Raises funds through government grants, loans, and its own earnings. **Audit & Accounting-** Maintains separate accounts and is audited as per the provisions of the Act **Employees-** Employees are not government servants and have independent service conditions.	**MNEMONICS - F O S F A E** **"Friendly Owls Study Finance And Economics"** **F- Formation** **O-Ownership** **S-Separate Entity** **F-Funding** **A-Audit & Accounting** **E-Employees**

Merits:

1. They enjoy independence in their functioning and a high degree of operational flexibility. They are free from undesirable government regulation and control;
2. Since the funds of these organisations do not come from the central budget, the government generally does not interfere in their financial matters, including their income and receipts;
3. Since they are autonomous organisations they frame their own policies and procedures within the powers assigned to them by the Act. The Act may, however, provide few issues/ matters which require prior approval of a particular ministry;
4. A statutory corporation is a valuable instrument for economic development. It has the power of the government, combined with the initiative of private enterprises.

Limitations:

1. In reality, a statutory corporation does not enjoy as much operational flexibility as stated above. All actions are subject to many rules and regulations;
2. Government and political interference has always been there in major decisions or where huge funds are involved;
3. Where there is dealing with public, rampant corruption exists;
4. The Government has a practice of appointing advisors to the Corporation Board. This curbs the freedom of the corporation in entering into contracts and other decisions. If there is any disagreement, the matter is referred to the government for final decisions.

CASE STUDY (Long Answer Type – 6 Marks)

Q.1 The Government of India established **National Transport Corporation (NTC)** through a Special Act passed by Parliament to provide efficient and affordable transport services across the country. The Act clearly defined the corporation's powers, functions, employee policies, and relationship with government departments.

NTC is wholly owned by the Government but enjoys a separate legal identity. It can enter into contracts, acquire property, and sue or be sued in its own name. The corporation raises funds through government grants, loans, and income generated from its services. It maintains separate accounts and is audited according to the provisions of the Act.

Being an autonomous organisation, NTC frames its own policies and procedures and enjoys operational flexibility. However, in recent years, major decisions involving large investments have often required government approval. The Government has also appointed advisors to the Corporation Board, which has sometimes delayed decision-making. In addition, allegations of corruption in public dealings have affected its image.

Based on the above case, answer the following questions:

(i) Identify the form of public sector enterprise described in the case.

(ii) State any two features of this form of organisation highlighted in the case.
(iii) Explain any two merits of this form of organisation reflected in the case.
(iv) Identify any two limitations of this form of organisation mentioned in the case.
(v) Why is this form of organisation considered an important instrument for economic development?

Answer

(i) Statutory Corporation.

(ii) (Any Two)

a) Created by a Special Act of Parliament.
b) Wholly owned by the Government.
c) Has a separate legal identity.
d) Raises funds through grants, loans, and its own earnings.
e) Maintains separate accounts and is audited as per the Act.
f) Employees have independent service conditions.

(iii) (Any Two)

a) Enjoys operational flexibility and autonomy in decision-making.
b) Government generally does not interfere in routine financial matters.
c) Can frame its own policies and procedures.
d) Combines government authority with business efficiency, promoting economic development.

(iv) (Any Two)

a) Government and political interference in major decisions.
b) Excessive rules and regulations reduce flexibility.
c) Appointment of government advisors may restrict autonomy.
d) Possibility of corruption in public dealings.

(v) A statutory corporation combines the authority and resources of the Government with the efficiency and initiative of private enterprises. This enables it to undertake large-scale public welfare and development projects, thereby contributing significantly to economic development.

Government Company

A government company is established under The Companies Act, 2013 According to the section 2(45) 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.

Features

Formation- Created and registered under the Companies Act, 2013 or any previous Company Law **Separate Legal Entity**- Has an independent legal existence and can sue or be sued in its own name **Corporate Powers**- Can enter contracts and acquire property in its own name **Management**- Managed according to the provisions of the Companies Act like any public company. **Employees**- Employees are appointed as per the	MNEMONICS - **"F S C M E A F"** **"Friendly Students Create Many Excellent Academic Foundations"** **F**-Formation **S**-Separate Legal Entity **C**-Corporate Powers

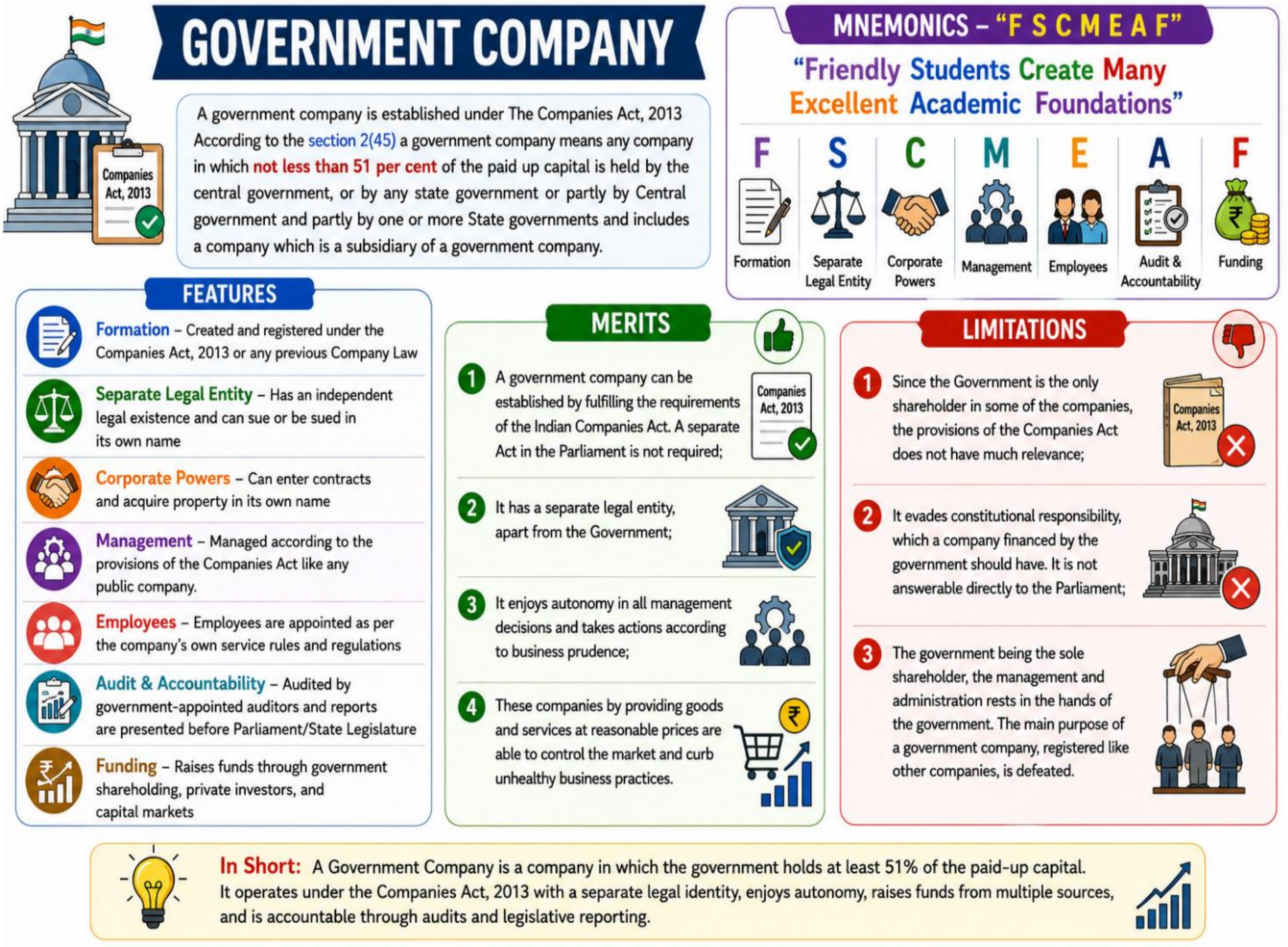
company's own service rules and regulations **Audit & Accountability**- Audited by government-appointed auditors and reports are presented before Parliament/State Legislature **Funding**- Raises funds through government shareholding, private investors, and capital markets	**M**-Management **E**-Employees **A**-Audit & Accountability **F**-Funding

Merits:

1. A government company can be established by fulfilling the requirements of the Indian Companies Act. A separate Act in the Parliament is not required;
2. It has a separate legal entity, apart from the Government;
3. It enjoys autonomy in all management decisions & takes actions according to business prudence;
4. These companies by providing goods and services at reasonable prices are able to control the market and curb unhealthy business practices.

Limitations:

1. Since the Government is the only shareholder in some of the companies, the provisions of the Companies Act does not have much relevance;
2. It evades constitutional responsibility, which a company financed by the government should have. It is not answerable directly to the Parliament;
3. The government being the sole shareholder, the management and administration rests in the hands of the government. The main purpose of a government company, registered like other companies, is defeated.



CASE STUDY:

Q.1 The Government of India established **Bharat Infrastructure Ltd.** under the provisions of the Companies Act, 2013. The Central Government holds 60% of the paid-up share capital, while the remaining shares are held by private investors. The company has its own legal identity and can enter into contracts and acquire property in its own name.

The company appoints its employees according to its own service rules and regulations. To expand its operations, it raises funds from both government shareholding and the capital market. The accounts of the company are audited by auditors appointed by the Government, and the audit reports are placed before Parliament.

The management of Bharat Infrastructure Ltd. enjoys considerable autonomy in business decisions. However, since the Government is the majority shareholder, important decisions are often influenced by government policies and priorities.

Based on the above case, answer the following questions:

1. Identify the form of public sector enterprise discussed in the case.

Answer: Government Company.

2. Which feature of a Government Company is reflected by the Government holding 60% of the paid-up share capital?

Answer: Ownership and Control by the Government (minimum 51% government shareholding).

3. Which feature is highlighted by the statement that the company can enter into contracts and acquire property in its own name?

Answer: Corporate Powers.

4. Identify the feature reflected when the company appoints employees according to its own service rules and regulations.

Answer: Employees have independent service conditions.

5. How does the company raise funds according to the case?

Answer: Through government shareholding, private investors, and the capital market.

6. Which feature is reflected by the auditing of accounts and presentation of reports before Parliament?

Answer: Audit and Accountability.

7. State any two merits of a Government Company highlighted in the case.

Answer:

It enjoys autonomy in management decisions.

It can raise funds from multiple sources such as government and private investors.

8. Identify one limitation of a Government Company evident from the case.

Answer: Government influence in major decisions may reduce managerial autonomy.

Global enterprises:

Global enterprises are huge industrial organisations which extend their industrial and marketing operations through a network of their branches in several countries.

Features

a) **Huge Capital Resources**-Possess enormous financial resources for large-scale operations worldwide b) **Foreign Collaboration**-Collaborate with foreign companies for investment, technology, and expertise c) **Advanced Technology**-Use modern technology and	**MNEMONIC - "H – F – A – P – M – E – C"** **"Happy Friends Always Prefer Mangoes Every**

research to improve efficiency and quality. d) **Product Innovation**-Continuously develop new and improved products to meet customer needs. e) **Marketing Strategies**-Adopt aggressive and effective marketing techniques to attract customers globally f) **Expansion of Market territory**-Operate in multiple countries and serve a worldwide market g) **Centralised Control**-Key decisions are controlled by the parent company from a central headquarters	**Christmas"** **H**-Huge Capital Resources **F**-Foreign Collaboration **A**-Advanced Technology **P**-Product Innovation **M**-Marketing Strategies **E**-Expansion of Market Territroy **C**-Centralised Control

Joint ventures: Business organisations any business organisation if it so desires can join hands with another business organisation for mutual benefit. These two organisations may be private, government-owned or a foreign company. When two businesses agree to join together for a common purpose and mutual benefit, it gives rise to a joint venture. Businesses of any size can use joint ventures to strengthen long-term relationships or to collaborate on short term projects.

Public Private Partnership (PPP) The Public Private Partnership model allocates tasks, obligations and risks among the public and private partners in an optimal manner. The public partners in PPP are Government entities, i.e., ministries, government departments, municipalities or state-owned enterprises. The private partners can be local or foreign (international) and include businesses or investors with technical or financial expertise relevant to the project. PPP is, therefore, defined as a relationship between public and private entities in the context of infrastructure and other services.

PPP Model Features:

1. Contract with the private party to design and build public facility.
2. Facility is financed and owned by the public sector.
3. Key driver is the transfer of design and construction risk.

EXERCISE:

MULTIPLE CHOICE QUESTION (MCQ)

1. Which of the following is feature of Public Private Partnership Model?
(a) Contract with private party to design and build public facility
(b) Facility is financed and owned by the public sector
(c) Key driver is a transfer of design and construction risk
(d) All of the above

2. The units of Public Sector are also known as
(a) State Enterprises
(b) Public Sector Undertaking
(c) Government Undertaking
(d) All of the above

3. How powers and objectives of public corporations defined?
(a) By Companies Act
(b) By Special Act
(c) By Partnership Act
(d) All of the above

4. Departmental undertakings are suitable in case of
(a) Where high secrecy is maintained
(b) A high degree of control over operations by government is required
(c) Where economic control is necessary
(d) All of the above

5. In this form of joint venture, a new jointly owned entity is not created but there is only an agreement to work together—

(a) Contractual joint venture
(b) Equity joint venture
(c) Limited joint venture
(d) None of the above

6. Which of the following companies operates in more than one Country/Nation?

(a) Private Ltd. Company
(b) Public Sector Company
(c) Global Enterprise
(d) Joint Sector Company

7. Which of the following industries is not reserved for Public Sector?

(a) Atomic Energy
(b) Sugar industry
(c) Arms
(d) Rail transport

8. Which type of organisation cannot survive without huge capital resources?

(a) Sole Proprietorship
(b) Partnership
(c) MNCs
(d) All of the above

9. Which one of the following is a statutory corporation?

(a) Food Corporation of India
(b) Hindustan Machine Tools
(c) Chittaranjan Locomotive Works
(d) Steel Authority of India

10. Privatisation of Public Sector means:

(a) Selling debentures of Public Sector
(b) Selling shares of Public Sector
(c) Employees are restricted in Public Sector Enterprises
(d) Public Sector company becomes Private Sector

Answer Key:

1-d	**2-d**	**3-b**	**4-d**	**5-a**	**6-c**	**7-b**	**8-c**	**9-a**	**10-b**

ASSERTION AND REASON

Read the following statements — Assertion (A) and Reason (R).
Choose one of the correct alternatives given below.
(a) Both Assertion (A) and Reason (R) are true and Reason (R) is 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.

1. **Assertion (A):** The Revenue earned by the departmental undertaking is paid into the Government treasury.
   Reason (R): Department undertaking are established under specific ministries.
2. **Assertion (A)**: Major steel plants – Durgapur and Bhilai were set-up in the backward areas to remove the regional inequalities.
   Reason (R): To minimise monopoly practices and to reduce inequalities of income, the government invested in heavy industries.
3. **Assertion (A):** PPP pertains to high priority projects that are aimed at creating public

good like in the infrastructure sector.

Reason (R): Due to huge capital and lack of managerial skills public sector invite private sector to collaborate in major projects.

4. **Assertion (A):** Disinvestment involves the sale of the equity shares to the private sector and the public, i.e., reducing equity of the government.

   Reason (R): PSU was trying to transfer commercial risk to the private sector.

5. **Assertion (A)**: Public sector is considered to be a powerful engine of economic development and an important instrument of self-reliance and social justice.

   Reason (R): After 1951, PSU were set up in backward areas, so that balanced regional development is possible.

Answer Key:

1-a	2-b	3-c	4-a	5-a

CHAPTER. 04
BUSINESS SERVICES

Content	Learning Outcomes
Business Services – Meaning and Types Banking: Types of Bank Accounts – Savings Account, Current Account, Recurring Deposit Account, Fixed Deposit Account and Multiple Option Deposit Account	• Understand the meaning and types of business services. • Discuss the meaning and types of banking services. • Develop an understanding of different types of bank accounts.
Banking Services with particular reference to Bank Draft, Bank Overdraft, Cash Credit.E-Banking: Meaning, Types of Digital Payments	• Develop an understanding of the different services provided by banks.
Insurance – Principles and Types (Life, Health, Fire and Marine Insurance) – Concept	• Recall the concept of insurance. • Understand Utmost Good Faith, Insurable Interest, Indemnity, Contribution, Doctrine of Subrogation, and Causa Proxima as principles of insurance. • Discuss the meaning of different types of insurance.
Insurance – Types of Insurance: Life Insurance, Health Insurance, Fire Insurance and Marine Insurance	• Discuss the meaning of different types of insurance – Life, Health, Fire and Marine Insurance.
Postal Services: Mail, Registered Post, Parcel, Speed Post, Courier – Meaning	• Understand the utility and importance of different postal/telecommunication services.

Goods: - A good is a tangible item that can be supplied to a buyer and entails the transfer of ownership from the seller to the buyer

Services: - Services are discreetly recognizable, basically intangible actions that satisfy demands but are not always tied to the selling of a product or another service. For example, banking services, tele-communication services etc.

Types of Bank Accounts

1. Fixed Deposit Account: Money deposited in the account for a fixed period is called a Fixed Deposit account. After the expiry of the specified period, the person can claim his money from the bank. **2. Saving Deposit Account:** The aim of a saving account is to mobilize savings of the public. A person can open this account by depositing a small sum of money. He can withdraw money from his account and make additional deposits at will. **3.Current Deposit Account:** Current deposit Accounts are opened by businessmen. The account holder can deposit and Withdraw money, whenever desired. As the deposit is repayable on demand,	**MNEMONICS - “F-S-C-R-M“** **"Friendly Students Choose Regular Money."** **Fixed Deposit A/c** **Savings Deposit A/c** **Current Deposit A/c** **Recurring Deposit A/c**

it is also known as demand deposit. **4.Recurring Deposit Account:** The aim of recurring deposit is to encourage regular savings by the people. A depositor can deposit a fixed amount every month for a fixed period. The amount together with interest is repaid on maturity. **5.Multiple Option Deposit Account:** It is a type of saving Bank A/c in which deposits in excess of a particular limit get automatically transferred into fixed Deposit. On the other hand, in case an adequate fund is not available in our saving Bank Account so as to honour a cheque that we have issued, the required amount gets automatically transferred from fixed deposit to the Saving Bank A/c.	**Multiple Option Deposit A/c**

Case Study

Q. 1 Mr. Rajesh Sharma runs a small stationery shop in his town. He receives daily payments from customers and frequently makes payments to suppliers. To manage his business transactions smoothly, he opened a bank account that allows unlimited deposits and withdrawals.

His daughter, Priya, is a Class XI student. She receives pocket money every month and wants to save a part of it for future educational needs. Therefore, she opened a bank account where she can deposit and withdraw money according to certain conditions while earning interest.

Rajesh's wife, Mrs. Sharma, wants to accumulate ₹1,00,000 in the next five years for a family vacation. She decides to deposit a fixed amount every month in a special bank account.

Rajesh's father, a retired government employee, has received a lump-sum retirement benefit. He wishes to invest this amount safely for three years and earn a higher rate of interest without withdrawing the money during this period.

The bank manager also informed the family about a special account that combines the benefits of savings and fixed deposits. Excess funds from the savings account are automatically transferred to a fixed deposit to earn higher interest.

Questions:

1.Identify the type of bank account opened by:
(a) Mr. Rajesh Sharma (b) Priya (c) Mrs. Sharma (d) Rajesh's father

2. Name the special account that combines the features of savings and fixed deposits.
3. Which account is most suitable for businessmen who require frequent transactions? Give one reason.
4. Why is a Savings Account considered suitable for students and salaried persons?
5. Differentiate between a Fixed Deposit Account and a Recurring Deposit Account on the basis of:(a) Amount deposited (b) Periodicity of deposit

Answer Key

1. (a) Current Account (b) Savings Account
(c) Recurring Deposit Account (d) Fixed Deposit Account
2. Multiple Option Deposit Account (MOD Account)
3. Current Account; because it allows frequent deposits and withdrawals.
4. It promotes saving habits and provides interest on deposits.

5. Fixed Deposit: Lump-sum amount deposited once; Recurring Deposit: Fixed amount deposited regularly (monthly).

The main electronic services are the following:

1. Electronic. Fund Transfer: Under it, a bank transfers wages and salaries directly from the company's account to the accounts of employees of the company. The other examples of EFTs are online payment of electricity bill, water bill, insurance premium, etc. **2. Automatic Teller Machines:** (ATMs) ATM is an automatic machine with the help of which money can be withdrawn or deposited by inserting the card and entering personal Identity Number (PIN). This machine operates for 24 hours. **3. Debit Card:** A Debit Card is issued to customers in lieu of his money deposited in the bank. The customers can make immediate payment of goods purchased or services obtained on the basis of his debit card provided the terminal facility is available with the seller. **4. Credit Card:** A. bank issues a credit card to those of its customers who enjoy a good reputation. This is a sort of overdraft facility. With the help of this card, the holder can buy goods or obtain services up to a certain amount even without having sufficient deposit in their bank accounts. **5. Tele Banking:** Under this facility, a customer can get information about the account balance or any other information about the latest transactions on the telephone. **6. National Electronic Fund Transfer:** NEFT refers to a nationwide system that facilitates individuals, firms & companies to electronically transfer funds from any branch to any individual, firm or company having an account with any other bank branch in the country. NEFT settles transactions in batches. **7. Real Time Gross Settlement:** RTGS refers to a funds transfer system where transfer of funds takes place from one bank to another on a Real-time and on Gross basis. Gross settlement means the transaction is settled on one-to-one basis without bunching or netting with any other transaction.	Mnemonics – **“EADCTNR” "Every Active Doctor Can Treat New Risks."** Electronic Fund Transfer Automatic Teller Machines Debit Card Credit Card Tele Banking National Electronic Fund Transfer Real Time Gross Settlement

Case Study (Short Answer Type)

Q.1 Rahul is the owner of a small manufacturing company in Jaipur. Every month, he transfers salaries directly to the bank accounts of his employees. To withdraw cash at any time, he uses a machine that operates 24 hours a day. While shopping, he often pays directly from his bank account using a card. Sometimes, for urgent business purchases, he uses another card that allows him to buy goods even when he does not have sufficient balance in his account.

Rahul also checks his account balance and recent transactions through a banking facility available on telephone. For transferring funds to suppliers located in different cities, he uses two electronic fund transfer systems. One system settles transactions in batches at specific intervals, whereas the other settles transactions immediately on a one-to-one basis and is considered the fastest mode of fund transfer.

Based on the above case, answer the following questions:

(i) Name the electronic banking service through which Rahul transfers salaries directly to employees' accounts.

(ii) Identify the machine that Rahul uses for cash withdrawal and deposit at any time.

(iii) Name the card that enables Rahul to make payments directly from his bank account.

(iv) Which card allows Rahul to purchase goods even without sufficient balance in his account?

(v) Identify the banking facility through which Rahul checks account information over the telephone.

(vi) Distinguish between the two electronic fund transfer systems used by Rahul for transferring funds to suppliers.

Ans: i) Electronic Fund Transfer (EFT) ii) Automatic Teller Machine (ATM)

iii) Debit Card iv) Credit Card v) Tele Banking

vi) NEFT Settles transactions in batches, RTGS settles transactions in real time on a gross basis.

E- Banking:

Internet banking means any user with a PC and a browser can get connected to the bank's website to perform any of the virtual banking functions and avail of any of the bank's services. There is no human operator to respond to the needs of the customer. The bank has a centralised database that is web-enabled. All the services that the bank has permitted on the internet are displayed on a menu. Any service can be selected and further interaction is dictated by the nature of service.

Benefits of E-banking to customer:

1. E-Banking provides 24 hours a day x 365 days a year services to the customers.

2. Customers can make transactions from the office or house or while travelling via mobile.

3. There is greater customer satisfaction through e-banking as it offers unlimited access and great security as they can avoid travelling with cash.

Benefits of E-Banking to Banks:

1. E-Banking lowers the transaction cost.

2. Load on branches can be reduced by establishing a centralised database.

3. E-Banking provides competitive advantage to the bank, adds value to the banking relationship.

Case Study (Short Answer Type):

Q.1 ABC Bank has introduced a comprehensive E-Banking system to provide convenient and efficient banking services to its customers. Meera, a school teacher, uses her laptop and mobile phone to access the bank's website. She checks her account balance, transfers money to her relatives, pays electricity and telephone bills, and downloads account statements without visiting the bank branch.

The bank has a centralized web-enabled database that allows customers to access various banking services through an online menu. Customers can avail these services at any time of the day from their homes, offices, or while travelling. Due to the increasing use of E-Banking, ABC Bank has noticed a significant reduction in the number of customers visiting branches. This has helped the bank reduce transaction costs and improve customer satisfaction.

Questions and Answers

1. What is meant by E-Banking?

Answer: E-Banking refers to banking services provided through the internet, enabling customers to perform various banking transactions and avail banking services electronically without visiting the bank branch.

2. Which feature of E-Banking enabled Meera to perform banking activities from her home?

Answer: Internet-based access through a PC, laptop, or mobile device connected to the bank's website enabled Meera to perform banking activities from home.

3. State any two benefits of E-Banking to customers highlighted in the case.

Answer: E-Banking provides services 24 hours a day and 365 days a year.
Customers can make transactions from home, office, or while travelling.

4. How does E-Banking provide greater customer satisfaction?

Answer: E-Banking offers unlimited access to banking services, saves time, and provides greater security by reducing the need to carry cash.

5. Why has the number of customers visiting bank branches reduced?

Answer: Customers can perform most banking transactions online through E-Banking without physically visiting the bank branch.

6. State any two benefits of E-Banking to banks.

Answer: a) It lowers transaction costs.
b) It reduces the load on bank branches through a centralized database.

7. How does E-Banking provide a competitive advantage to banks?

Answer: E-Banking helps banks offer faster, convenient, and value-added services, which attract and retain customers, thereby providing a competitive advantage.

8. What role does a centralized database play in E-Banking?

Answer: A centralized database stores customer information and banking records in one system, enabling customers to access banking services efficiently from any location.

INSURANCE

It is a contract or agreement in which one party (the insured) agrees to pay another party (the insurer) an agreed sum of money (premium) when something of worth in which the insured has a pecuniary stake is lost, damaged, or injured. And, in exchange for the premium paid by the insured, the insurer/insurance company agrees to assume the risk of the unforeseen catastrophe and compensate the insured up to the agreed-upon amount.

Basic Terminology

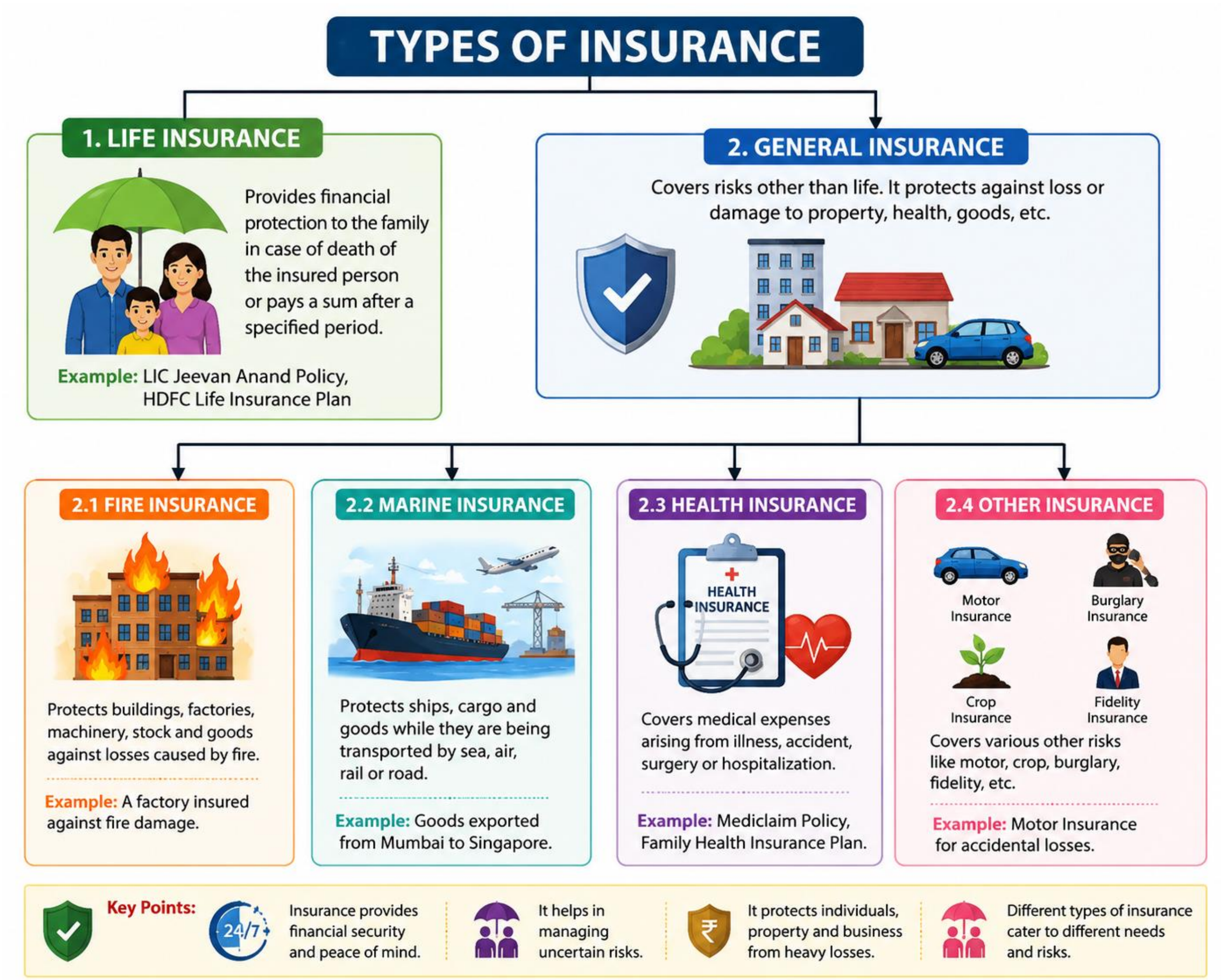
a. Insured: Insured is the one who takes up the insurance policy & is exposed to a certain risk.

b. Insurer: Insurer is the one who agrees to take the responsibility of the risk the insured is exposed to.

c. **Premium:** It is a fee that the insured has to pay the insurer in return for the risk taken up by the insurer on behalf of the insured.

d. Insurance Policy: It is a policy or document that specifies the terms & conditions related to the insurance contract.

e. *Sum assured: It is the amount for which the insurance policy is taken.



Features of Insurance

a) Insurance is the exchange of a little monthly payment (premium) for the risk of a significant potential loss.

b) The risk of loss still exists, but it is dispersed over a vast number of policyholders exposed to the same risk.

c) The premium paid by them is pooled out of which the loss sustained by any policy holder is compensated.

d) Risk is transferred from one party (insured) to another party (Insurer)

e) Insurance can be done for any type of risk, fire, theft, third party etc.

f) Two parties are required namely the insured & the insurer for the insurance contract to take place.

Principles of Insurance

a) **Utmost Good Faith**: Insurance contracts are based upon mutual trust and confidence between the insurer and the insured. It is a condition of every insurance contract that both the parties i.e. insurer and the insured must disclose every material fact and information related to insurance contract to each other.	**MNEMONICS** **U – I – I – P – S – C – M** **"Uncle Is in Paris Selling Cool Mangoes"**

b) **Insurable Interest**: It means some pecuniary interest in the subject matter of an insurance contract. The insured must have insurable interest in the subject matter of insurance i.e., life or property insured the insured will have to incur loss due to this damage and insured will be benefited if full security is being provided. A businessman has insurable interest in his house, stock, his own life and that of his wife, children etc. c) **Indemnity**: Principle of indemnity applies to all contracts except the contract of life insurance because estimation regarding loss of life cannot be made. The objective of a contract of insurance is to compensate the insured for the actual loss he has incurred. These contracts provide security from loss and no profit can be made out of these contracts. d) **Proximate Cause**: The insurance company will compensate for the loss incurred by the insured due to reasons mentioned in insurance policy. But if losses are incurred due to reasons not mentioned in insurance policy then the principle of proximate cause or the nearest cause is followed. **e) Subrogation**: This principle applies to all insurance contracts which are contracts of indemnity. As per this principle, when any insurance company compensates the insured for loss of any of his property, then all rights related to that property automatically gets transferred to the insurance company. f) **Contribution:** According to this principle if a person has taken more than one insurance policy for the same risk then all the insurers will contribute the amount of loss in proportion to the amount assured by each of them and compensate for the actual amount of loss because he has no right to recover more than the full amount of his actual loss. g) **Mitigation:** According to this principle the insured must take reasonable steps to minimize the loss or damage to the insured property otherwise the claim from the insurance company may be lost.	**- Utmost Good Faith** **- Insurable Interest** **- Indemnity** **- Proximate Cause** **- Subrogation** **- Contribution** **- Mitigation**

Types of Insurance and Difference between Life, Fire & Marine Insurance

Basis	Life Insurance	Fire Insurance	Marine Insurance
1.Subject Matter	The subject matter of Insurance is human life.	The subject matter is any physical property or assets.	The subject matter is a ship, cargo or freight.
2.Element	Life Insurance has the elements of protection & investment or both.	Fire insurance has only the element of protection & not the element of investment.	Marine insurance has only the element of protection.

3.Insurable interest	Insurable interest must be present at the time of Effecting the policy but need not be necessary at the time when the claim falls due.	Insurable interest on the subject matter must be present both at the time of effecting policy as well as when the claim falls due.	Insurable interest must be present at the time when claim falls due or at the time of loss only.
4. Duration	Life insurance policy usually exceeds a year and is taken for longer periods ranging from 5 to 30 years or whole life.	Fire insurance policy usually does not exceed a year.	Marine insurance policy is for one or period of voyage or mixed.
5. Indemnity	Life insurance is not based on the principle of indemnity. The sum assured is paid either on the happening of certain events or on maturity of the policy.	Fire insurance is a contract of indemnity. The insured can claim only the actual amount of loss from the insurer. The loss due to the fire is indemnified subject to the maximum limit of the policy amount.	Marine insurance is a contract of indemnity. The insured can claim the market value of the ship & cost of goods destroyed at sea & the loss will be indemnified.
6.Loss analysis	Loss is not measurable.	Loss is measurable.	Loss is measurable.

Telecommunication Services.

a) Postal Services: This service is required by every business to send and receive letters, market reports, parcels, money order etc. on a regular basis. All these services are provided by the post and telegraph offices spread throughout the country. The postal department performs the following services.

b) Financial Services : They provide postal banking facilities to the general public and mobilze their savings through the following saving schemes like public provident fund (PPF), Kisan Vikas Patra, National Saving Certificate, Recurring Deposit Scheme and Money Order facility.

Mail Services: The mail services offered by post offices include transmission of messages through postcards, Inland letters, envelopes etc. The various mail services all:

a) UPC (under postal certificate): When ordinary letters are posted the post office does not issue any receipt. However, if the sender wants to have proof then a certificate can be obtained from the post office on payment of prescribed fee. This paper now serves as evidence of posting the letters.

b) Registered Post: Sometimes we want to ensure that our mail is definitely delivered to the addressee otherwise it should come back to us. In such situations the post office offers a registered post facility which serves as a proof that mail has been posted.

c) Parcel: Transmission of articles from one place to another in the form of parcels is known as parcel post. Postal charges vary according to the weight of the parcels.

Multiple Choice Question (MCQs)

Q 1 . Which of the following is not a contract of Indemnity?

(a) Marine Insurance (b) Fire Insurance (c) Life Insurance (d) All of the above

Q 2___________is not a type of general insurance.

(a) Marine Insurance (b) Fidelity Insurance (c) Fire Insurance (d) Life Insurance

Q 3 Which of the following is an allied postal service?

(a) Greeting post (b) Media post (c) Speed post (d)Passport Application

(Read the following passage and answer the questions from 4 to 7)

Manish, Rahul and Madhav live in the same locality. They used to meet and discuss their ideas. After discussing the recent fire breakout in their area, they decided to take fire insurance for their house or work area. Manish gets his house insured against fire for ₹1 lakh and during the policy period, his house gets damaged due to fire and the actual loss amounts to ₹2.5 lakhs. The insurance company acquired the burning material and approved his claim. Rahul gets his godown insured against fire for ₹1 lakh but does not take enough precautions to minimize the chances of fire like installing fire extinguishers in the factory. During the policy, a fire takes place in his godown and he does not take any preventive steps like throwing water and calling the employees from the fire-fighting department to control the fire. He suffered a loss of ₹1,20,000. Madhav took a fire insurance policy of ₹20 lakhs for his factory at an annual payment of ₹24,000. In order to reduce the annual premium, he did not disclose that highly explosive chemicals are being manufactured in his factory. Due to a fire, his factory gets severely damaged. The insurance company refused to make payment for the claim as it became aware of the highly explosive chemicals.

Q 4 How much can Manish claim from the insurance company?

a) ₹ 2.5 Lakhs b) ₹ 1 Lakh c) ₹ 2 Lakhs d) None of the above

Q 5 How much compensation can Rahul get from the insurance company?

a) ₹ 2,00,000 b) ₹ 1,20,000 c) ₹ 1,00,000 d) Nil

Q 6 Which principle is violated in the case of Rahul?

a) Mitigation b) Insurable Interest c) Utmost Good Faith d) Indemnity

Q 7 How much amount is the insurance company liable to pay to Madhav, if he files a case against it?

a) ₹ 24,000 b) Nil c) Insufficient information d) ₹ 20 Lakh

Q 8 A person gets his stock with ₹ 25,000 insured for ₹ 35,000. A fire occurs and the whole stock gets damaged. The insurance company will pay him only ₹ 25,000, the actual value of his stock and not ₹ 35,000. Which principle of insurance is applied in this case?

(a) Principle of Indemnity (b) Principle of Subrogation

(c) Principle of Contribution (d) Principle of Insurable Interest

Q 9 DTH services are provided by ____________

a) Transport Companies b) Banks c) Cellular Companies d) Schools

Q 10 Which of the following is the function of the Central Bank?

a) Regulating the activities of commercial banks b) Curbing inflation

c) Controlling money supply d) All of the above

Answer Keys

1-d	**2-d**	**3-c**	**4-b**	**5-d**	**6-a**	**7-b**	**8-a**	**9-c**	**1-d**

ASSERTION REASON QUESTIONS

Read the following statements — Assertion (A) and Reason (R).

Choose from one of the correct alternatives given below.

(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.

1. **Assertion (A):** A fixed deposit account is the type of account in which a fixed sum of money is deposited at fixed rate of interest.
Reason (R): Fixed deposit interest rate depends on the amount and the period of deposit.

2. Assertion (A): RTGS is an electronic transfer of funds, thus no physical exchange of money takes place but within no waiting time payment is processed.
Reason (R): Bank charge processing fees for RTGS transaction which vary from bank to bank and customer to customer.

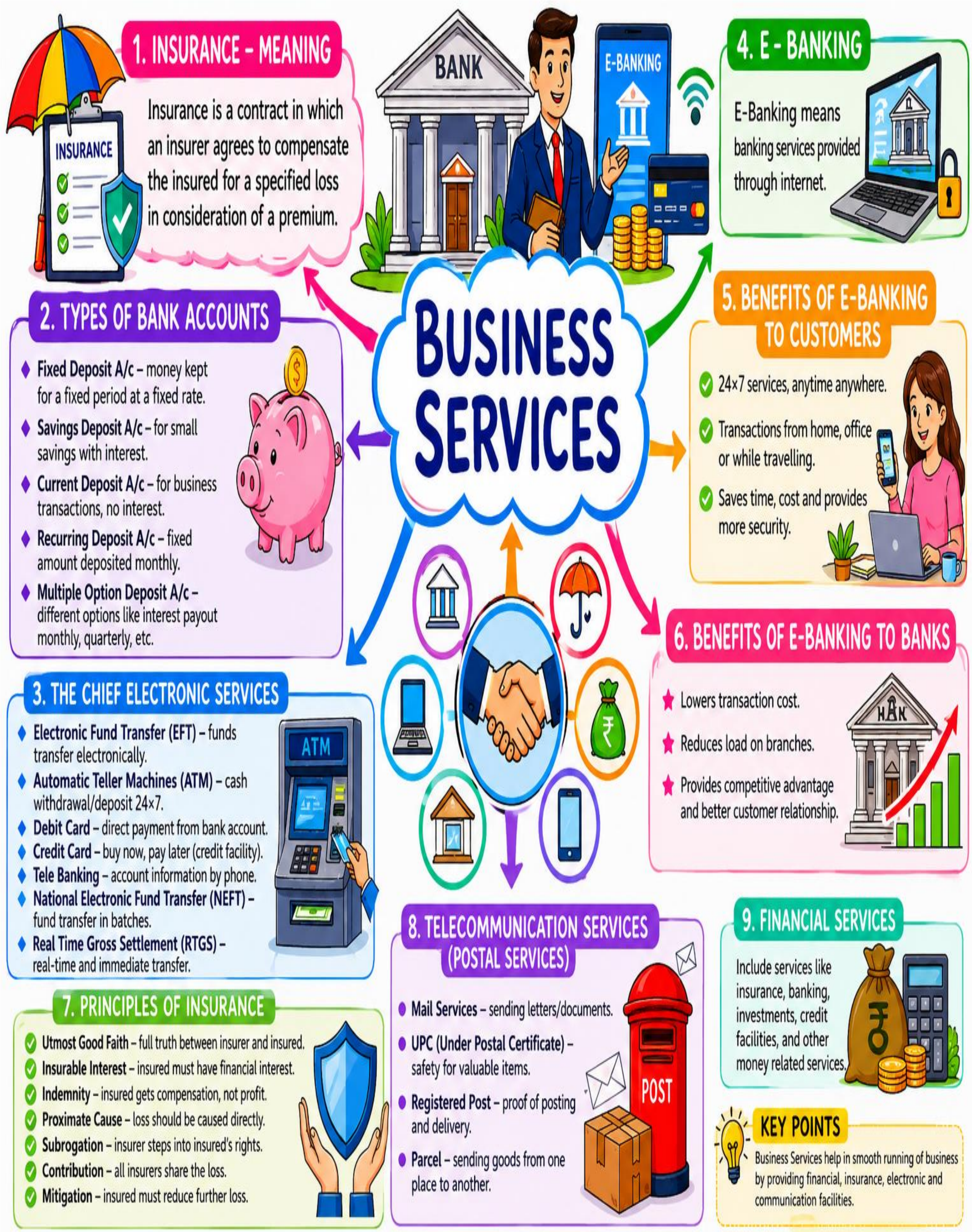
3. **Assertion (A):** Insurance is a device for transfer of risk of individuals to an insurer, who agrees for a consideration called premium to assume, to specific extent, losses suffered by the insured.
Reason (R): Insurance is a form of RISK MANAGEMENT used as a safeguard against risk of potential financial loss.

4. **Assertion (A):** Insured can claim for loss or damage only if the loss arises due to reason beyond control of the insured.
Reason (R): If an insurance company finds out that the loss is due to careless attitude of insurer, then company is not liable for any compensation.

5. **Assertion (A):** Real Time Gross Settlement (RTGS) is available for funds transfer within or outside India.
Reason (R): RTGS is available for fund transfer within India only using the internet facility provided by banks.

Answer Key

1 - b	**2 - c**	**3 - a**	**4 - a**	**5 - d**


BUSINESS SERVICES
1. INSURANCE - MEANING
INSURANCE
BANK
E-BANKING
Insurance is a contract in which an insurer agrees to compensate the insured for a specified loss in consideration of a premium.
4. E - BANKING
E-Banking means banking services provided through internet.
2. TYPES OF BANK ACCOUNTS
Fixed Deposit A/c – money kept for a fixed period at a fixed rate.
Savings Deposit A/c – for small savings with interest.
Current Deposit A/c – for business transactions, no interest.
Recurring Deposit A/c – fixed amount deposited monthly.
Multiple Option Deposit A/c – different options like interest payout monthly, quarterly, etc.
5. BENEFITS OF E-BANKING TO CUSTOMERS
24×7 services, anytime anywhere.
Transactions from home, office or while travelling.
Saves time, cost and provides more security.
6. BENEFITS OF E-BANKING TO BANKS
Lowers transaction cost.
Reduces load on branches.
Provides competitive advantage and better customer relationship.
3. THE CHIEF ELECTRONIC SERVICES
Electronic Fund Transfer (EFT) – funds transfer electronically.
Automatic Teller Machines (ATM) – cash withdrawal/deposit 24×7.
Debit Card – direct payment from bank account.
Credit Card – buy now, pay later (credit facility).
Tele Banking – account information by phone.
National Electronic Fund Transfer (NEFT) – fund transfer in batches.
Real Time Gross Settlement (RTGS) – real-time and immediate transfer.
ATM
7. PRINCIPLES OF INSURANCE
Utmost Good Faith – full truth between insurer and insured.
Insurable Interest – insured must have financial interest.
Indemnity – insured gets compensation, not profit.
Proximate Cause – loss should be caused directly.
Subrogation – insurer steps into insured's rights.
Contribution – all insurers share the loss.
Mitigation – insured must reduce further loss.
8. TELECOMMUNICATION SERVICES (POSTAL SERVICES)
Mail Services – sending letters/documents.
UPC (Under Postal Certificate) – safety for valuable items.
Registered Post – proof of posting and delivery.
Parcel – sending goods from one place to another.
POST
9. FINANCIAL SERVICES
Include services like insurance, banking, investments, credit facilities, and other money related services.
KEY POINTS
Business Services help in smooth running of business by providing financial, insurance, electronic and communication facilities.

CHAPTER - 05
EMERGING MODES OF BUSINESS

Topic	Learning Outcomes
E-business: concept, scope and benefits	• Give the meaning of e-business.• Discuss the scope of e-business.• Appreciate the benefits of e-business.• Distinguish e-business from traditional business.

E-business (Electronic Business):

E -business may be defined as the conduct of industry, trade and commerce using computer networks

Question: (Case Based)

A small handicraft business in a remote village in India recently started selling its products directly to customers across the country through its own website. This has significantly reduced its reliance on intermediaries. Which emerging mode of business is this enterprise utilizing?

Answer: E-business (or Online Business)

Scope of E-business:

Types of E-commerce On the basis of the parties involved, e-commerce can be classified into the following types:

B2B Commerce	B2C Commerce	Intra-B Commerce	C2C Commerce
In these commercial transactions take place between different business organizations. It includes placing of purchase orders, invoices, quotations etc. Business to Business (B2B) form a major share of total e-commerce volume.	It means Business to Customers transactions. It includes selling of goods, call centers, ATM facilities etc.	Here the transactions take place within the firm. It includes use of computer networks in marketing, finance, production, purchase, human resource, Research and Development departments. It also includes interaction of business with its employees (B2E) like salary payment, seeking suggestions from employees etc.	It means Customer to Customer. This type of commerce is best suited for dealing in goods for which there is no established market mechanism. The vast space of the internet (eBay.com, olx.com, etc.) allows persons to globally search for potential buyers.

Questions (Case Based)

Q:1 A consumer directly interacts with a manufacturer's website to customize and purchase a product according to their specific requirements. Which aspect of e-business does this highlight?

Ans: Business-to-Consumer (B2C)

Q:2 A fast-moving consumer goods (FMCG) enterprise, 'NaturePure', relies on a digital portal where its procurement team places bulk orders for raw chemicals and packaging plastics directly with various chemical refineries and factories across the country. Classify the category of e-commerce model operating here. Highlight two distinct features that differentiate this model from retail e-commerce (B2C).

Ans: The model operating here is B2B Commerce (Business-to-Business Commerce). Two distinct features that differentiate B2B from B2C are:

1) Volume and Value: B2B transactions involve massive volume and high financial values, unlike smaller retail purchases in B2C.

2) Nature of Stakeholders: Both parties involved in B2B are business entities with professional negotiations and commercial agreements, whereas B2C involves an individual ultimate consumer purchasing for personal use.

Benefits of e-Business:

1. **Ease of formation** – It is very easy to start due to less legal formalities & with a limited investment.
2. **Convenience** – Internet offers the convenience of 24 hours' business.
3. **Speed** – Internet allows faster services.
4. **Global reach** – It provides a boundary-less market.
5. **Movement towards a paperless society** – Use of the internet has considerably reduced dependence on paperwork.

Limitations of E-Business

- **Low Personal Touch:** You cannot physically touch or test products, and you miss out on face-to-face interaction.
- **Delivery Delays:** While you can order instantly, physical shipping takes time, which can be frustrating.
- **Tech Barrier:** It is difficult for people who lack computer skills or internet access to participate.
- **Higher Risk:** Since you are dealing with strangers online, it is hard to verify identities, leading to risks like fraud or hacking.
- **Resistance to Change:** Many people find it stressful to switch from traditional ways of working to new technology.
- **Ethical Issues:** Companies may use software to track their employees' online activities, which raises privacy concerns.

Ques: (Case based)

Q.1 Priya, a talented baker in Kurukshetra, started by selling her specialty cakes to friends and family. The positive feedback and increasing orders encouraged her to create an Instagram page showcasing her creations. Soon, she started receiving orders from people across Kurukshetra. To manage the growing demand, she began taking online payments and even arranged for local deliveries through a tie-up with a nearby logistics service. Her small home-based venture was rapidly transforming.

a) Identify the emerging mode of business adopted by Priya.

b) What are the benefits Priya is likely experiencing through this new way of doing business?

Ans: (a) Priya has adopted e-business, specifically leveraging e-commerce for transactions (online orders and payments) and digital marketing (using Instagram for showcasing and reaching customers).

(b) Priya is likely experiencing benefits such as:

Lower setup costs: Operating from home initially reduces the need for a physical storefront.

Wider reach: Instagram allows her to connect with a larger customer base beyond her immediate social circle.

Convenience for customers: Online ordering and payment provide ease and accessibility for buyers.

Flexibility: She can manage her business alongside other responsibilities.

Q.2. Suresh wants to purchase a premium laptop. He visits a local electronics store to touch,feel, and try the keyboard layout. However, he returns home and buys the exact same model from an e-commerce website because of a 15% digital discount and doorstep delivery. In the context of the 'Emerging Modes of Business', discuss one benefit and two limitations of e-business that are vividly reflected or implied in Suresh's consumer behavior.

Ans: **Benefit reflected:** Convenience e-business allows 24/7 shopping with direct cost savings (discounts) passed on to consumers.

Limitations implied:

i) Lack of Personal/ Physical Touch: Suresh had to physically visit a traditional brick-&-mortar store because e-business lacks the capacity to let users physically touch or test product ergonomics before buying.

ii) Time Lag: Unlike the traditional store where he could walk out with the laptop instantly, e-business involves a delivery time lag between order placement and physical receipt.

Difference between Traditional Business and e-Business.

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 & Customers	Indirect through intermediaries	Direct
7.Business process & 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

Multiple Choice Questions (MCQ)

1. Identify the emerging mode of the e- business:
(a) B2B (b) B2C (c) C2C (d) Intra B

2. Identify the emerging mode of the e- business:
(a) B2B (b) B2C
(c) C2C (d) Intra B

3. B2B commerce helps in all these except:
(a) Customised production (b) Improved distribution system
(c) Reduce dependence on single supplier (d) Online customer surveys

4. A company purchases raw materials from suppliers through an online portal. This transaction is an example of:
a. B2C b. C2C c. B2B d. C2B

5. A start-up reaches customers in different countries through its website without opening physical stores. Which advantage of e-business is demonstrated?
a. Limited market b. Global reach c. Higher costs d. Reduced communication

6. A firm using a network of computers for placing orders, monitoring production, delivery of goods and making payments to its supplier firm is an example of
a) B 2 B commerce b) B 2 C commerce
c) C 2 C commerce d) Intra-B commerce

7. e-business does not include:
a) A business interaction with its supplier.
b) A business interaction with its customer.
c) Interaction among the various departments within the business.
d) None of the above

8. Which payment method is not suitable in e-business?
a. Cash on delivery b. E-cash c. Cheques d. Credit or Debit card

9. Various departments of the organization like production, purchase, marketing etc. can interact with each other by using
a. B2B commerce b. B2C commerce c. C2C commerce d. Intra B commerce

10. The various departments of a firm can constantly interact with each other for achieving efficiency in operations through the use of one of the following networks,
a) Intranet b) Internet c) Cell phones d) Intercom

Ans:

1 - c	**2 - a**	**3 - c**	**4 - c**	**5 - b**	**6 - b**	**7 - d**	**8 - a**	**9 - d**	**10 - b**

Assertion and Reason based questions

Instructions: For each question, there are two statements given as **Assertion (A)** and **Reason (R).** Read the statements carefully and choose the correct option:

a) Both A and R are true, and R is the correct explanation of A.

b) Both A and R are true, but R is not the correct explanation of A.

c) A is true, but R is false. d) A is false, but R is true.

Questions:

1. **Assertion (A):** E-business has a wider scope than e-commerce.
Reason (R): E-commerce includes only the transactions between a business and its customers, while e-business encompasses various business functions conducted electronically, including e-commerce.

2. **Assertion (A):** Setting up an e-business requires a very high initial investment compared to traditional business.
Reason (R): E-business eliminates the need for physical storefronts and reduces the costs associated with maintaining a large physical infrastructure.

3. **Assertion (A):** The movement towards a paperless society is hindered by the growth of e-business.
Reason (R): E-business heavily relies on digital documentation, electronic transactions, and online communication, significantly reducing the use of paper in business processes.

4**. Assertion (A):** The transactions taking place between business and individual customer are called customer to customer or C2C transactions.
Reason (R): These facilitates promotion of online companies sell product & service online to customer

5. **Assertion (A)** :e-commerce includes only trading activity of business over the Internet.
Reason (R) : e-commerce includes e-business

Answers:

1 – a	2 - d	3 - d	4 - b	5 - c

Competency Based Question

Question 1:

A company utilizes cloud computing services to store its data and run its applications, eliminating the need for significant investment in its own IT infrastructure. What key benefit of e-business or technology adoption does this demonstrate?

Answer: Lower Operational Costs

Case Studies

1. Educart is a well-established coaching center in Haryana, known for its quality teaching for competitive exams. However, their reach was limited to students who could physically attend their classes. To expand their impact, Educart launched an online platform with live

interactive classes, recorded lectures, and digital study materials. Students from all over India started enrolling in their courses. They also partnered with educators from different parts of the country to offer specialized subjects.

a) What type of emerging business model is Educart implementing?

b) Identify the key features of this business model that are different from their traditional approach.

Ans:

a) Educart is implementing **e-learning**, which falls under the broader umbrella of **e-business**. They are using digital technologies to deliver educational services remotely.

b) Key differences from their traditional approach include:

Physical presence: Traditional coaching requires physical attendance; the online platform eliminates this need.

Geographical reach: Earlier limited to local students, now they can cater to a nationwide audience.

Delivery method: Teaching has shifted from in-person lectures to online interactive sessions and recorded content.

Accessibility: Students can access learning materials anytime, anywhere with an internet connection.

Collaboration: They can partner with educators located remotely.

2. Karan, an amateur photographer, bought an expensive professional camera lens online from a stranger on a popular classifieds website. The seller had posted high-quality photos and described the lens as "mint condition with no scratches." When the package arrived, Karan discovered that the internal glass element was cracked and the autofocus motor was broken. When Karan tried to message the seller to request a refund, he discovered that the seller had deleted their account and blocked his number.

(a) Identify the type of business highlighted in the above case.

(b) Explain the risks involved in this type of e-business transaction.

Ans:

(a) C2C Commerce

(b) Limitation of e-Business

i. **Low Personal Touch:** You cannot physically touch or test products, and you miss out on face-to-face interaction.

ii. Tech Barrier: It is difficult for people who lack computer skills or internet access to participate.

iii. Higher Risk: Since you are dealing with strangers online, it is hard to verify identities, leading to risks like fraud or hacking.

iv. Resistance to Change: Many people find it stressful to switch from traditional ways of working to new technology.

3. Rohan had an old laptop that he no longer used. He decided to sell it through an online platform. He created an account on Quicker, uploaded photographs of the laptop,

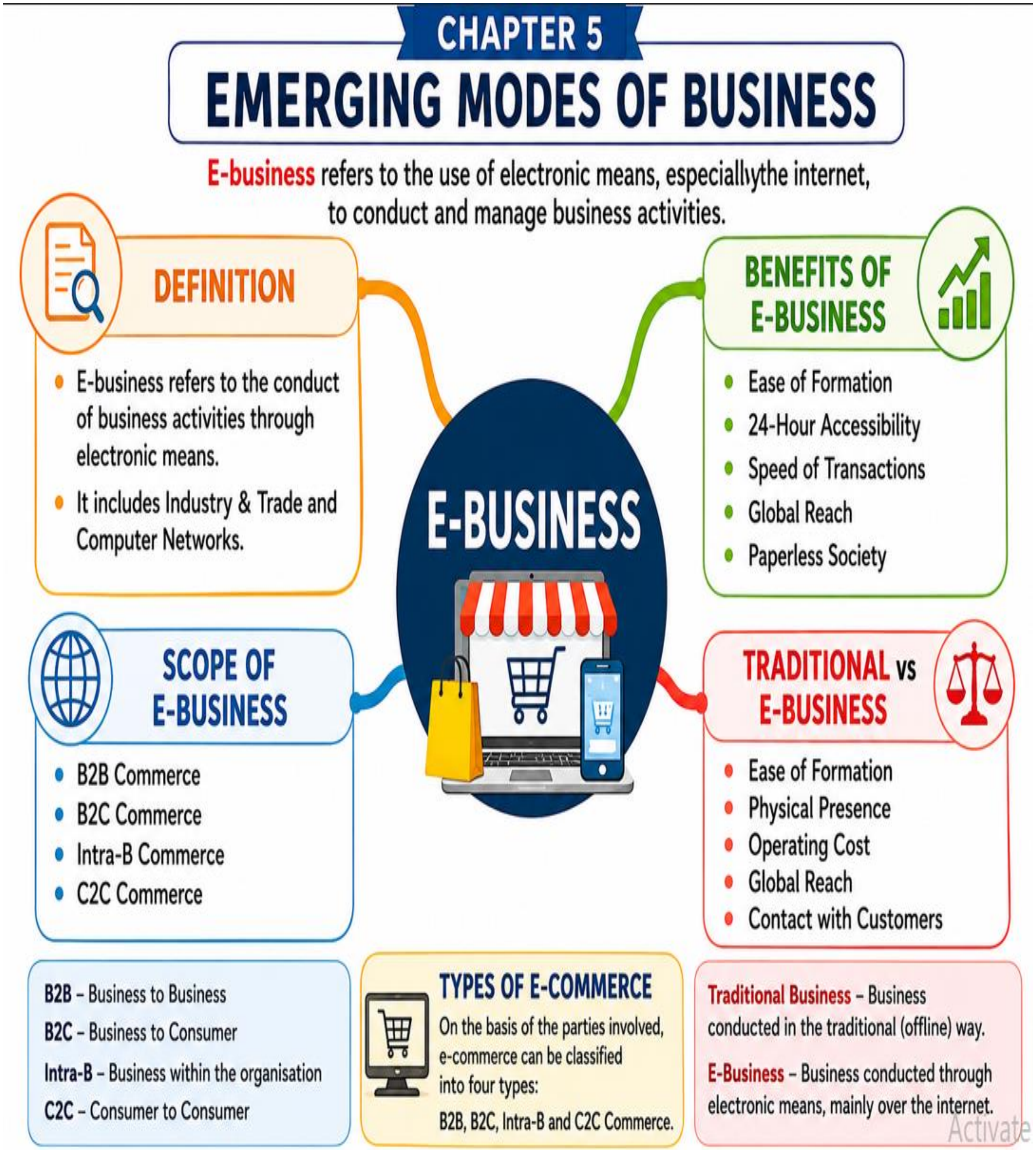
mentioned its features, and fixed a price of ₹15,000. After viewing the advertisement, a buyer contacted Rohan through the website and purchased the laptop. The transaction took place directly between the two individuals without the involvement of any retailer.

(i) Name the type of e-business involved in the above case.

(ii) Explain any three advantages of this type of e-business.

Answer: (i) C2C (Consumer-to-Consumer) Commerce.

(ii) Any three advantage of e-business.(Explain)



CHAPTER - 06:
SOCIAL RESPONSIBILITY OF BUSINESS AND BUSINESS ETHICS

Topic	Learning Outcomes
Concept of social responsibility Case of social responsibility Responsibility towards owners, investors, consumers, employees, government and community Role of business in environment protection Business Ethics – Concept and Elements	• State the concept of social responsibility. • Examine the case for social responsibility. • Identify the social responsibility towards different interest groups. • Appreciate the role of business in environment protection. • State the concept of business ethics.• Describe the elements of business ethics.

Concept of Social Responsibility: -

A business is a part of society. So, a business enterprise should do business and earn money in ways that fulfill the aspirations of the society. Thus social responsibility relates to the voluntary efforts on the part of the businessmen to contribute to the social well-being.

Arguments in favour of Social Responsibility: -

There is a need for Social Responsibility of business for Existence and Growth:

1. **Justification for Existence and Growth**: Business is the creation of society therefore it should respond according to the demands of the society. To survive and grow in society for the long run the business must provide continuous services to the society.

2. **Long term Interest of the firm**: A firm can improve its image and build goodwill in the long run when its highest goal is to serve the society. If it indulges in unfair Trade Practices e.g. adulteration, hoarding, black marketing, it may not be able to exist for long.

3. **Avoidance of government regulations**: Business can avoid the problem of government regulations by voluntarily assuming social responsibilities.

4. **Availability of resources with business**: Business has valuable financial and human resources which can be effectively used for solving problems of the society.

5. **Better environment for doing business**: It is the social responsibility of business enterprise to provide better quality of life and standard of living to people. So, businesses will get a better community to conduct business.

6. **Contribution to social problems**: Some of the social problems have been created by business firms themselves such as pollution, creation of unsafe workplaces, discrimination etc. Therefore, it is the moral obligation of business to solve such social problems.

Arguments in favour of Social Responsibility:- -
Mnemonic: "JLABBC" – "Just Leaders Always Build Better Communities"
J- Justification for Existence and Growth, L - Long-term Interest of the Firm
A- Avoidance of Government Regulations, B- Availability of Resources with Business
B- Better Environment for Doing Business, C- Contribution to Social Problems

Question: (Case Study)

Blue Build Ltd.' is a leading construction firm that has seen rapid growth over the last decade. Recently, the company has been under intense pressure from local community groups due to the high levels of noise and dust pollution caused by its construction sites in residential areas. Furthermore, the company has been accused of prioritizing cost-cutting over worker safety, leading to several accidents on-site.

The CEO, Mr. Khanna, is currently debating two approaches. One group of board members suggests that the company should focus strictly on profit maximization, arguing that the firm's only responsibility is to its shareholders. However, the HR Director, Ms. Meera, argues that the company must voluntarily invest in better waste management systems, noise-control technology, and improved safety training for laborers, even if it reduces short-term profits. She believes that if the company fails to act, the government may impose strict, mandatory regulations that could be far more expensive and restrictive in the long run. Additionally, she emphasizes that by fostering a better relationship with the local community, the company will secure its own long-term survival and reputation.

(a) Identify and explain the argument in favor of social responsibility that Ms. Meera is highlighting when she warns about potential government intervention.

(b) Referring to the text, explain two other arguments in favor of social responsibility that 'Blue Build Ltd.'

Ans: (a) Identify and explain the argument in favor of social responsibility that Ms. Meera is highlighting when she warns about potential government intervention.

Ms. Meera is highlighting the argument: **Avoidance of government regulations**.

(b) Referring to the text, explain two other arguments in favor of social responsibility that 'GreenBuild Ltd.' should consider to ensure its long-term survival and growth.

Contribution to social problems: Since business firms are responsible for creating social issues like pollution and unsafe workplaces, it is their moral obligation to take the initiative to solve these problems.

Long-term interest of the firm: A firm can build goodwill and improve its image in the long run when it prioritizes serving society. By avoiding unfair practices, the company ensures its own continued existence and avoids the negative consequences that come with poor reputation.

Social responsibility towards different Interest groups:-

Business has Interaction with several interest groups such as shareholders, workers, consumers, government and community. Business is responsible to all these groups.

1. Responsibility towards Government:–	**2. Responsibility towards community:–**
(i) To pay taxes honestly. (ii) To observe rules laid down by the government. (iii) to avoid corrupting government employees.	(i) To make available opportunities for employment. (ii) To avoid polluting the environment. (iii) To uplift the weaker sections of society.

3. Responsibility towards shareholders / Owners:-	**4. Responsibility Towards workers:-**	**5. Responsibility toward consumers:-**
(i) To ensure a fair and regular return on the investment of shareholders/ Owners. (ii) To ensure the safety of their investment. (iii) To strengthen the financial position of the company. (iv) To safeguard the assets of the business. (v) To protect the interest of all types of investors in the business.	(i) Providing fair compensation and benefits. (ii) Providing good and safe working conditions. (iii) To develop a sense of belongingness.	(i) To supply the right quality of goods & services at reasonable prices. (ii) To ensure regular and adequate supply of products. (iii) To inform them about new products and new uses of existing products. (iv) To handle the customer's grievance promptly.

Question: (Case Study)

Intex Ltd. is a well-known company engaged in manufacturing of packed frozen ready-to-eat items. The company is committed to take proper precautions against malpractices like adulteration, poor quality and misleading advertising. The company not only follows the rules and regulations of the country, it also pays the due amount of taxes regularly. The company has created proper and safe working conditions. Intex Ltd. maintains proper financial records and aims to ensure efficient utilization of funds. The company has taken all reasonable steps to protect the natural environment and avoid any type of pollution. By quoting lines from the given paragraph, identify the different interest groups towards which the company is fulfilling its social responsibilities.

Answer. The different interest groups towards which Intex Ltd. is fulfilling its social responsibilities are:

(i) Consumers: 'The company is committed to take proper precautions against malpractices like adulteration, poor quality & misleading advertising.

(ii) Government: 'The company not only follows the rules and regulations of the country, it also pays the due amount of taxes regularly.

(iii) Workers: The company has created proper and safe working conditions.

(iv) Shareholders or Owners: 'Intex Ltd. maintains proper financial records and aims to ensure efficient utilization of funds.

(v) Community or Society: The company has taken all reasonable steps to protect the natural environment and avoid any type of pollution.

Business and Environmental Protection:-

Meaning of Environment: The environment is defined as the totality of man's surroundings - both Natural and Man-made.

Natural Resources - all land, water, air and Man-made Resources - cultural heritage, socio-economic institutions and the people.

Meaning of Environmental Pollution – It means injection of harmful substances into the environment. The greatest problem that industries and businessmen are creating is that of pollution - which is the result of industrial production. So, protection of the environment is a must.

Role of Business Environmental Protection:

(a) Eco-friendly and clean or low waste technology should be used by industrial organizations.

(b) Industrial wastes should be recycled as far as possible.

(c) Plant and machinery should be modernized to minimize pollution.

(d) The business houses should comply with the laws and regulations enacted for prevention of pollution.

(e) Positive steps should be taken to save the environment. These include plantation of trees, cleaning of rivers, ponds etc.

Question: (Case Study)

Pollution which literally means the state of being contaminated or having been rendered unclean is an undesirable change in the physical, chemical and biological characteristics of the land, air or water that harmfully affects human life or that of the desirable species.

Pollutants occur naturally as well as due to human activity. Sulphur from volcanic eruptions, radioactive materials in nature, and hydrocarbons in the atmosphere are natural pollutants but their effect is not, generally, as drastic and long-lasting as that of man-made pollutants.

(a) Do you think there is a need for pollution control?

(b) Discuss Any three reasons which justify that business enterprise should take steps to control the pollution.

Ans. (a) Yes, I think, there is a need for pollution control.

(b) The following reasons justify that business enterprise should take steps to control the pollution:

(i) **Reduced risk of liability:** Business enterprise is often held liable to pay compensation environment.

to the individuals affected by toxic gases, chemicals and other wastes released into the environment.

(ii) **Cost saving:** Pollution control also helps to save costs of operating business.

(iii) **improved public image:** The society is becoming more and more conscious about the quality of the environment. As a result, it has become necessary for the business enterprise. to implement pollution control measures in order to improve its public image.

Business Ethics: -

Refers to the moral values or standards or norms which govern the activities of a businessman. Ethics define what is right and what is wrong. By ethic we mean the business practices which are desirable from the point of view of society.

Elements of Business Ethics:

(a) Top management commitment: The CEO and higher level managers must be committed to ethical norms of behavior. This would set an example for all employers and encourage them to follow ethical practice.

(b) Publication of code: Code of ethics is a formal written document of the principles, values and standards that guide a firm's actions. It may cover areas like honesty, quality, safety, health care etc.

(c) Establishment of compliance mechanism: A suitable mechanism should be developed to comply with the ethical standards of the enterprise. The mechanism should be properly communicated to all in the organisation.

(d) Employee involvement: It is the employees of the lower levels who implement ethical principles so they must be involved in the process of developing ethical code.

(e) Measuring results: Although it is difficult to measure the ethical results, it must be verified and audited that work is being carried according to ethical standards.

Elements of Business Ethics: Mnemonic: "TPCEM"	
"Top People Create Ethical Measures"	
T - Top Management Commitment	P - Publication of Code
C - Compliance Mechanism	E - Employee Involvement
M - Measuring Results	

Question: (Case Study)

Some years ago, the Tata group suffered a setback, when one five star property in Mumbai was caught in the terrorist attack. The Government stepped in and the militants were shot dead. However, the damage to the property ran into several thousands of crores. Ratan Tata, the then Chairman, did something that is totally out of the world. Every single person who was affected, including those like the pav bhaji vendor outside the hotel, was offered compensation running into several lakhs of rupees. The education of children of those affected, free medical facilities for those survivors and dependents at Tata hospitals for the rest of their lives. Ratan Tata himself visited the families of each of the 80 employees affected by the bomb blast, and offered compensation running into several lakhs of rupees.

This was business ethics at its best. Ratan Tata had clearly spelt what the Tata group stands for, to this day. Out of the various elements of business ethics, which element is highlighted in the given case?

Also discuss other elements of business ethics.

Ans. Element highlighted is 'Top Management Commitment'.

For other elements, discuss 'Elements of Business Ethics'.

Multiple Choice Questions

Q.1 Which of the following can explain the need for pollution control?

(a) Cost saving (b) Reduction of health hazards

(c) Reduced risk of liability (d) All of them Answer.

Q.2.Which of the following is not an argument in favour of social responsibility?

a) Lack of broad public support b) Converting problems into opportunities

c) Better environment for doing business d) Maintenance of society

Q.3. Star Ltd. uses rocks, trees, electric poles, and walls of historical monuments to advertise its products. This advertising policy has made their product known to the public. Identify the group whose responsibility is ignored by Star Ltd.

(a) Government (b) Consumer (c) Society (d) Investor

Q.4 Towards which interest group the Social responsibility of a business firm is shown in the pictures given blow

(a) Owners (b) Workers

(c) Government (d) Consumers

Q.5 From the given image identify the case for social responsibility of business?

(a) Long term interest of the firm

(b) Maintenance of society

(c) Availability of resources with business

(d) converting Problem into opportunity

Q.6 "Management of an enterprise should provide opportunities for meaningful work. It should try to create the right kind of working conditions." The given statement highlights the social responsibility of business towards the

(a) shareholders or owners (c) consumers

(b) workers (d) government and community

Q.7 Supply of right quality and quantity of goods and services at reasonable prices constitutes the responsibility of an enterprise towards

(a) shareholders or owners (c) consumers
(b) workers (d) government and community

Q.8 "Providing the right quality and quantity of goods and services to people in the society" - is the social responsibility towards
(a) Employees (b) Community (c) Consumer (d) Government

Q.9 "An enterprise should avoid bad smoky chimneys" - is an example of social responsibility towards
(a) Workers (b) Government (c) Community (d) Customers

Q.10 Read the following statements carefully and choose the correct alternative:
Statement I: Business ethics refer to the socially determined moral principles which should govern business activities. Statement II: The principles of conduct for the whole organization in the form of written document is called 'code'.
(a) Both the statements are true.
(b) Both the statements are false.
(c) Statement I is true, Statement II is false.
(d) Statement II is true, Statement I is false.

ANS	**1-d**	**2-a**	**3-c**	**4-c**	**5-a**	**6-b**	**7-c**	**8-c**	**9-d**	**10-a**

Assertion and Reasoning
Read the following statements (Q5 AND 6): Assertion and Reason. Choose one of the correct alternatives given below Alternatives:
(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 and 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.

Q 1 **Assertion (A**): Business enterprises have tremendous social power because of huge resources in hand.
Reason (R): Business enterprises should supply the right quality & quantity of goods & services at reasonable prices.
Q.2 **Assertion (A)**: CEO of the company must be strongly committed towards ethical conduct.
Reason (R): CEO should guide and encourage employees to follow ethical behaviour.

Q.3. **Assertion (A)** : Social responsibility is broader than legal responsibility of business.
Reason (R): Legal responsibility may be fulfilled by mere compliance with the law, Social responsibility is more than that. It is a firm's recognition of social obligations even though not covered by law, along with the obligations laid down by law.
Q. 4 Read the following statements carefully and choose the correct alternative from the following:
Statement 1: The social responsibility towards the shareholders is to provide a firm return to the owner.

Statement 2: From the point of business, government regulations are undesirable because they limit their freedom**.**
Alternatives:
(a) Both the statements are true.
(b) Both the statements are false.
(c) Statement 1 is true and Statement 2 is false.
(d) Statement 2 is true and Statement 1 is false.

Q.5 Read the following statements carefully and choose the correct alternative from the following:
Statement 1: Business should abide by the laws and regulations enacted by the Government for prevention of pollution.
Statement 2: Lower management of the enterprise should be more committed than top management in creating, maintaining and developing work culture for environmental protection and pollution prevention.
Alternatives:
(a) Both the statements are true.
(b) Both the statements are false.
(c) Statement 1 is true and Statement 2 is false.
(d) Statement 2 is true and Statement 1 is false.

Answer

1-b	**2-a**	**3-a**	**4-a**	**5-c**

Case based Questions

Question : 01

Horizon Infrastructure Corp. is an enterprise valued at billions. The newly appointed Managing Director intends to implement an exhaustive 'Ethical Compliance Code' across the enterprise. However, he intends to skip briefing the executive board and department heads, stating that 'the operational labor forces are the ones who need strict ethical monitoring, not the leadership.'
Identify the element of business ethics that the Managing Director is ignoring.
Answer: Ignored Element: Top Management Commitment.

Question: 02

The CEO of Matrix Software Solutions, Mr. Raghav, believes that establishing a corporate code of ethics is an absolute waste of working hours. He remarks, 'As long as our quarterly profits are excellent and we don't violate statutory cyber laws, we don't need any high-sounding ethical programs.' Within a year, internal accounts leakages reveal that middle managers have been taking under-the-table kickbacks to award vendor contracts.
In light of this case, analyze why business ethics are indispensable. State and explain four crucial reasons/arguments in favor of maintaining business ethics in commercial operations.
Ans: Argument in favour of Social Responsibility
1. Improving Public Image: Ethical firms develop massive goodwill and attract high-caliber human capital.
2. Earning Trust of Stakeholders: Investors, consumers, and suppliers prefer transparent

entities, avoiding corporate downfalls.
3. Employee Motivation and Pride: High internal ethics minimize employee fraud, corruption, and operational leakages.
4. Avoidance of Government Intervention: Self-regulated ethical behavior keeps a company clear of stringent regulatory crackdowns and expensive lawsuits.

Question 03

Prime Retail Corp. operates an extensive chain of consumer supermarkets. The management actively updates its product displays, offers clear ingredient labels, responds to grievance emails within 24 hours, and ensures that weighing scales are periodically calibrated by weights and measures authorities. However, they refuse to buy inventory from local rural farmers, choosing instead to import all farm goods via high-cost international syndicates.
Identify the primary interest group that Prime Retail Corp. is serving excellently. Discuss four specific social responsibilities a business owes to this specific group to ensure long-term commercial success.
Ans: Group Identified: Consumers.

•**Responsibilities:**
1.Providing pure, unadulterated, and high-quality products.
2.Ensuring honest, clear, and non-misleading advertisements and product labelling.
3.Establishing efficient customer grievance cells to handle complaints swiftly.
4. Ensuring fair pricing structures and preventing unfair or restrictive trade hoarding.

Question: 04

Zen Electronics Ltd. recently faced criticism after several employees were found manipulating procurement records for personal gain. To improve ethical standards, the company issued a formal Code of Ethics and uploaded it on the company's intranet portal. The Managing Director announced that all employees must follow the code strictly. However, senior executives themselves continued to favour certain suppliers in exchange for expensive gifts and personal benefits. No ethics committee, grievance mechanism, or monitoring system was established. Employees received no training regarding ethical conduct and were not encouraged to discuss ethical concerns. As a result, unethical practices continued, and several cases of biased supplier selection were reported within a few months.

Question:

Merely issuing a code of ethics is not sufficient to create an ethical organization. Identify and explain the four essential elements required for the successful implementation of an ethical programme in an organization. Also, examine why Zen Electronics Ltd. failed to achieve its objective of promoting ethical behaviour.
Ans:
1.Top Management Commitment: Senior leaders must continuously guide, model, and champion ethical behavior. Zen failed because senior executives continued to accept gifts and favours from suppliers, showing a lack of genuine ethical leadership.

2.Publication of a 'Code': Creating a formal, written set of organizational values. Zen did this by issuing a Code of Ethics, but treated it as a formality rather than supporting it with real action.

3.Establishment of Compliance Mechanisms: Setting up systems such as ethics committees, grievance cells, audits, and monitoring procedures. Zen failed to establish such mechanisms, allowing unethical practices to continue.

4.Involvement of Employees at All Levels: Conducting training programmes and encouraging participation so that employees understand and adopt ethical values. Zen failed to provide training or involve employees in ethical discussions, resulting in poor ethical awareness and commitment.

CHAPTER - 7

SOURCES OF BUSINESS FINANCE

Topics / Subtopics	Learning Objectives
Concept of Business Finance	• State the meaning, nature and importance of business finance.
Owners' Funds – Equity Shares, Preference Shares, Retained Earnings	• Classify the various sources of funds into owners' funds.• State the meaning of owners' funds.
Borrowed Funds – Debentures and Bonds, Loans from Financial Institutions and Commercial Banks, Public Deposits, Trade Credit, Inter-Corporate Deposits (ICD)	• State the meaning of borrowed funds.• Discuss the concept of debentures, bonds, loans from financial institutions and commercial banks, trade credit and inter-corporate deposits.• Distinguish between owners' funds and borrowed funds.

Concept of Business Finance:

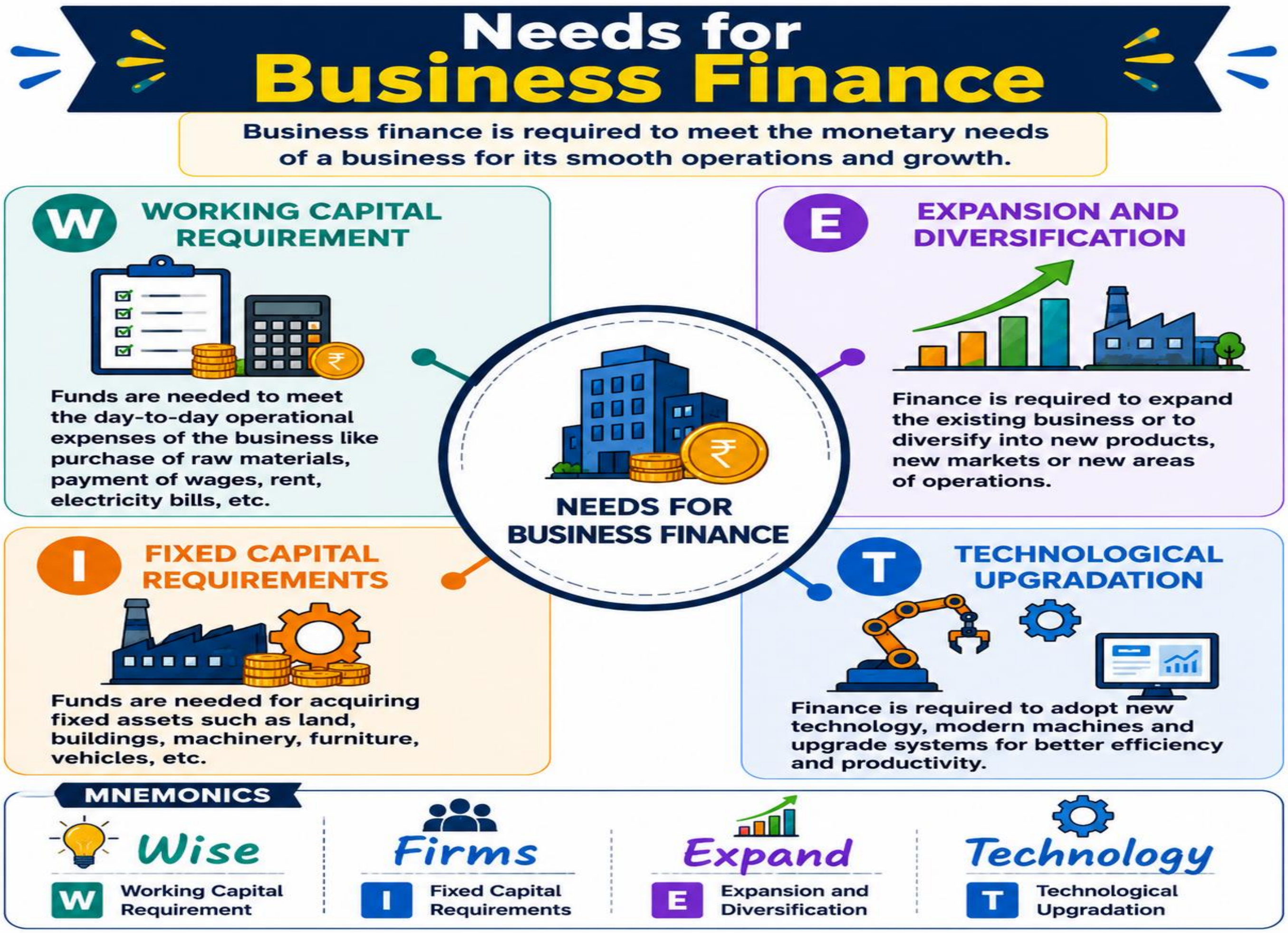
The requirements of funds by business to carry out its various activities is called business finance. Finance is needed at every stage in the life of a business. A business cannot function unless adequate funds are made available to it.

Nature of Business Finance:

1. It includes capital and borrowed funds.
2. It requires in all types of organization – big, small, production, trading etc.
3. Differs depending on the nature and size of business.
4. Requirement of fund vary from time to time – boom period and depression.
5. It requires on a continuous basis.

Needs for Business Finance:

<table>
<tr><td>Fixed Capital Requirements: These funds are needed for the acquisition of long-term assets such as land, buildings, machinery, and furniture. These investments are usually for a longer duration</td><td rowspan="4"><u>MNEMONICS</u>
"Wise Firms Expand Technology
W → Working Capital Requirements
F → Fixed Capital Requirements
E → Expansion & Diversification
T → Technological Upgradation</td></tr>
<tr><td>Working Capital Requirements: These funds are needed for meeting the day-to-day operational expenses of a business, such as purchasing raw materials, paying salaries and wages, and covering other recurring costs.</td></tr>
<tr><td>Expansion and Diversification: Additional funds may be required for business expansion, launching new product lines, or entering new markets.</td></tr>
<tr><td>Technological Upgradation: Finance is necessary to adopt modern technologies and upgrade existing equipment to improve efficiency and competitiveness.</td></tr>
</table>



Owners' Funds: These represent the capital contributed by the owners or shareholders of the business and retained earnings.

1. Equity shares. 2. Preference Shares 3. Retained Earnings.

Borrowed Funds: These are the funds raised through loans and borrowings.

Issue of Share (Owner's Fund - Long-term Source of Finance): The capital obtained by issue of shares is known as share capital. The capital of a company is divided into small units called share.

Types of Shares:

● **Equity Shares**: Represent ownership in the company and provide long-term capital. Equity shareholders have voting rights and share in the company's profits and losses.

● **Preference Shares**: Carry preferential rights over equity shares regarding the payment of dividends at a fixed rate and the return of capital in case of liquidation. They generally do not have voting rights.

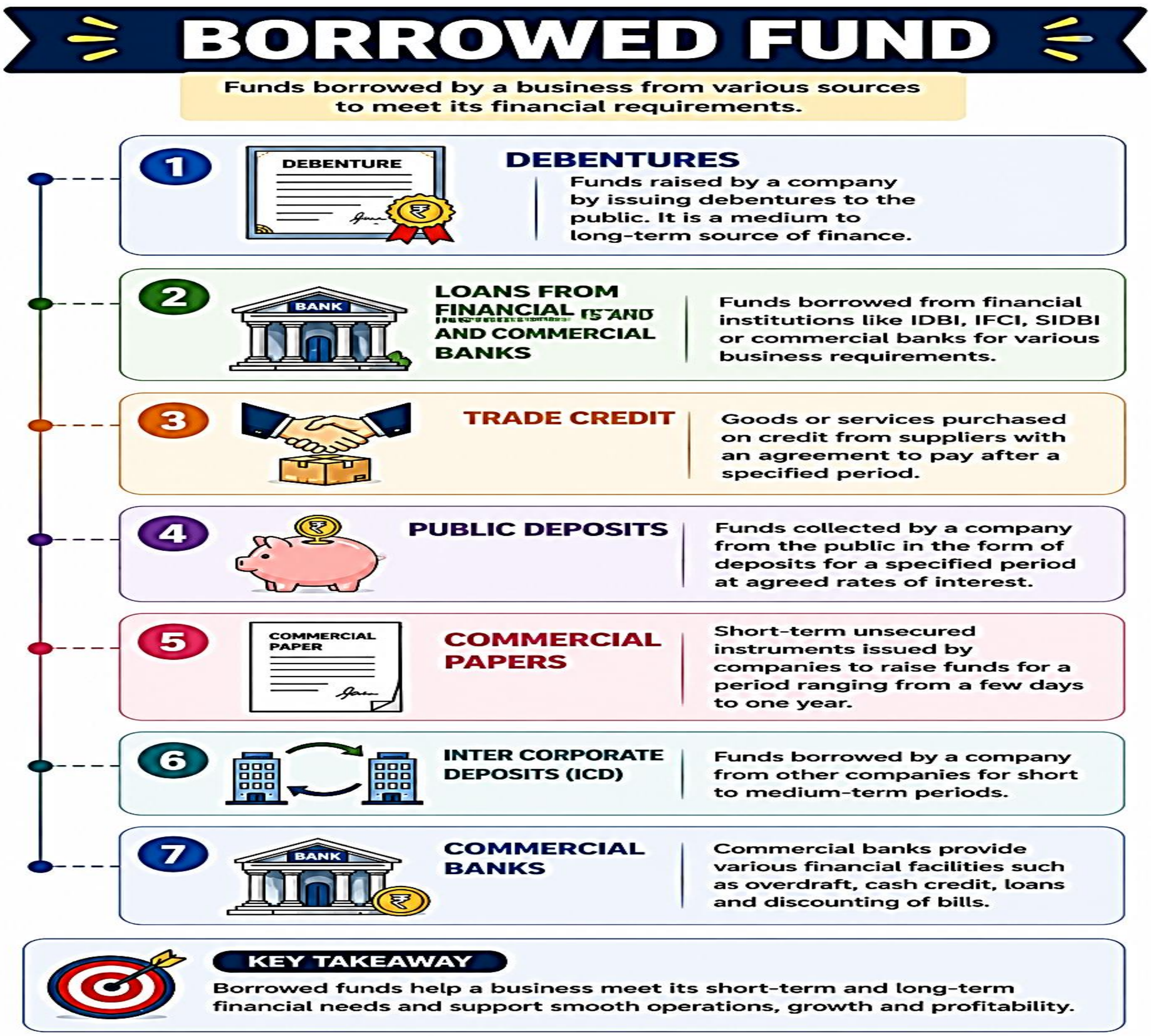
● **Retained Earnings (Ploughing Back of Profits)**: This involves reinvesting a portion of the company's profits back into the business instead of distributing them as dividends. It's an internal source of long-term funds and offers flexibility and independence.

B. Borrowed Funds:

	MNEMONICS
Debentures: These are debt instruments that represent a loan taken by the company. Debenture holders are creditors of the company and receive a fixed rate of interest.	**"Daring Lions Trade Public Commercial Investment Capital"** **D** → Debentures **L** → Loans from Financial Institutions & Commercial Banks **T** → Trade Credit **P** → Public Deposits **C** → Commercial Papers **I** → Inter Corporate Deposits (ICD) **C** → Commercial Bank
Loans from Financial Institutions and Commercial Banks: These institutions provide medium-term and long-term loans for various business purposes.	
Trade Credit: This is short-term credit extended by suppliers to a business, allowing the purchase of goods and services without immediate payment.	
Public Deposits: These are unsecured deposits invited directly from the public for a fixed period at a specified interest rate. They are a medium-term source of finance.	
Commercial Papers: These are short-term, unsecured promissory notes issued by large and creditworthy companies to raise funds for a short period.	
Inter Corporate Deposits (ICD): Inter Corporate Deposits are unsecured short-term deposits made by a company with another company. ICD market is used for short-term cash management of a large corporate.	
Commercial Banks: Banks extend loans to firms in many ways like cash credit, overdraft, term loans etc. Rate of interest depends on factors like nature of business, interest rate prevailing in the country etc	

Difference between Shares and Debentures

Basis	Shares	Debentures
1. Nature	Shares are the capital.	Debentures are the loan.
2. Return	Dividend.	Interest.
3. Voting Right	Full voting right	No voting right.
4. Holder	Owner is called shareholder	Creditor
5. Types	There are two types of shares.	More than two types.
6. Security	Not secured by any charge.	Secured and generally carry a charge on the assets of the company



Case Study (3/4 Short Answer Type)

Q1. "Sunrise Solar Ltd." has been a profitable manufacturer of solar panels for the past seven years. They have built a strong reputation for quality and reliability. Due to increasing demand for renewable energy, the company is now planning a significant expansion of its production capacity. This will require a substantial investment in new machinery and a larger factory space. The management is considering various options to raise the necessary ₹10 crore.

Identify and explain two potential long-term sources of finance that Sunrise Solar Ltd. could consider for this expansion.

Ans: Sunrise Solar Ltd. could consider the following long-term sources of finance:

1. Issue of Equity Shares: This involves selling ownership stakes in the company to new investors. These investors become shareholders and are entitled to a share of the company's future profits (dividends) and have voting rights in major decisions.

2. Long-Term Bank Loan: This involves borrowing a fixed sum of money from a bank for a specified period, usually exceeding one year. The company will be required to pay interest on the loan and repay the principal amount according to an agreed-upon schedule

Q2."Green Earth Organics" is a growing business that sells organic fruits and vegetables sourced from local farmers. Their sales have been increasing steadily, but they often face a shortage of funds to manage their day-to-day operations, such as paying farmers on time and maintaining sufficient inventory. They need to ensure they have enough funds available between receiving goods from farmers and collecting payments from customers. Identify and explain one advantage of each of the sources identified for Green Earth Organics.

Ans: Green Earth Organics could utilize the following short-term sources of finance:
●**Trade Credit:** A significant advantage of trade credit is that it is a readily available and convenient source of short-term finance, especially for businesses with good relationships with their suppliers. It doesn't involve any immediate outflow of cash, allowing Green Earth Organics to manage their liquidity better.

●**Bank Overdraft:** A bank overdraft provides flexibility as Green Earth Organics can withdraw funds as and when needed and repay them when they receive payments from their customers. Interest costs are incurred only for the actual amount and duration of the overdraft, making it a cost-effective option for fluctuating working capital needs.

Q3. Identify the source of finance which is regarded as a 'Fair Weather Friend'. What is the reason for calling it so?
Ans: The name of the source is Public Deposits.
It refers to the deposits that are raised by business organisation directly from the public. It is called Fair Weather Friend because a company receives public deposits only when it owns financial position is very good. In difficult times investors prefer to deposit their money in the bank, even if the interest to be received is much less.

Multiple Choice Questions

1. Public deposits are the deposits that are raised directly from:
   (a) The public (b) The directors (c) The auditors (d) The owners

2. Which source of finance is preferred by investors who want fixed income at lesser risk :
   (a) Debentures (b) Equity shares (c) Preference shares (d) Bank loan

3. Which one of the following is not the feature of preference shares:
   (a) Provides fixed rate of return (b) Provides voting rights
   (c) Get Preference over equity shares (d) Part of owner's capital

4. A small manufacturing firm plans to purchase a new machine that will be used for at least 10 years. Which aspect of business finance is this decision mainly related to?
   a Short-term financing decision b Dividend distribution decision
   c Working capital management d Fixed capital investment decision

5. Which of the following BEST describes the nature of business finance in a modern company?
   a It focuses only on minimizing costs regardless of risk
   b It is concerned only with raising funds from banks
   c It deals only with the accounting and recording of past financial transactions
   d It is a continuous process of estimating, acquiring, using, and controlling funds

6. A trading business notices that its sales are growing quickly, but it often struggles to pay suppliers on time because cash is tied up in stock and credit sales. Which type of capital is MOST clearly inadequate here?
   a) Share capital   b) Owner's equity   c) Working capital   d) Fixed capital

7. Which of the following statements about shares as a source of business finance is MOST accurate?
   a. Shares must always be redeemed on a fixed maturity date
   b. Shares represent ownership in the company and may offer variable dividends
   c. Shares create a legal obligation to pay a fixed rate of return each year
   d. Shares do not involve any risk for investors since capital is guaranteed

8. Which of the following is the MOST appropriate example of a working capital need?
   a. Acquiring a patent for a new technology
   b. Purchasing raw materials for the next production cycle
   c. Constructing a new warehouse   d. Buying land to build a factory

9. Which statement BEST captures a key difference between shares and debentures?
   a. Shareholders are creditors of the company, while debenture holders are owners
   b. Shareholders receive a fixed rate of interest, while debenture holders get variable dividends
   c. Dividends on shares are generally variable and not obligatory, whereas interest on debentures is a fixed legal obligation
   d. Shares are always secured by company assets, while debentures are always unsecured

10. A company wants to raise long-term funds but does NOT want to dilute ownership or voting control. Which source of finance is MOST appropriate?
   a. Issue new equity shares to the public
   b. Offer employee stock options widely
   c. Issue debentures to investors
   d. Invite new partners to join the business

Ans

1-a	**2-a**	**3-b**	**4-d**	**5-d**	**6-c**	**7-b**	**8-b**	**9-c**	**10-c**

Assertion Reason based questions

Choose the correct option:

(a) Both (A) and (R) are true, and (R) is the correct explanation of (A).

(b) Both (A) and (R) are true, but (R) is not the correct explanation of (A).

(c) (A) is true, but (R) is false.

(d) (A) is false, but (R) is true.

Q1: **Assertion (A):** Retained earnings are considered a cost-free source of finance for a business.

Reason (R): Retained earnings do not involve any explicit payment of interest or dividends to external parties.

Q 2: **Assertion (A):** Equity shares are considered risk capital.

Reason (R): Equity shareholders receive a fixed rate of dividend, regardless of the company's profitability.

Q3:**Assertion (A):** Trade credit is a commonly used source of short-term finance for businesses.
Reason (R): Trade credit allows businesses to purchase goods and services without immediate payment, providing them with a short-term financing option.

Q4. **Assertion (A):** Business finance is essential for both the establishment and smooth functioning of a business.
Reason (R): Finance is needed only at the time of starting a business, not during its day-to-day operations.

Q5. **Assertion (A):** Fixed capital refers to funds required for acquiring long-term assets such as land, buildings, and machinery.
Reason (R): Fixed capital once invested cannot be recovered in any form by the business.

Answer:

1-a	**2-c**	**3-a**	**4-c**	**5-c**

Long Answer Type Question

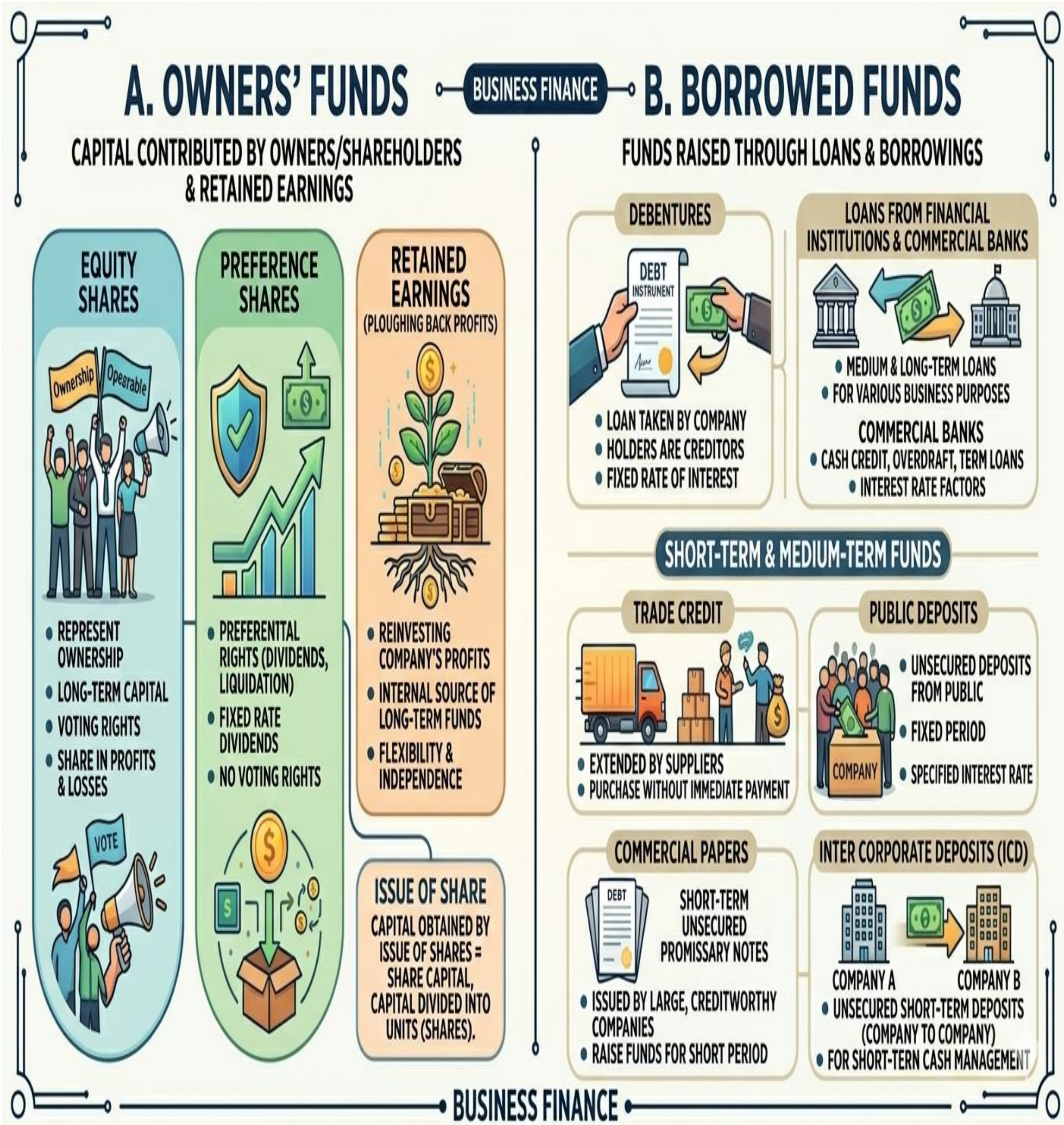
ABC Ltd. wants to expand its business. It needs funds to purchase new machinery, pay salaries, buy raw materials, and launch a new product in the market. The management decides to raise money by issuing shares and taking a bank loan. Later, the company also considers using retained earnings for future growth.

Answer the following questions:

1. What is meant by business finance?
2. Why does ABC Ltd. need fixed capital?
3. Why does the company need working capital?
4. Name two owner's funds mentioned in the case.
5. Name one borrowed fund mentioned in the case.
6. State one difference between shares and debentures.

Ans

1. Business finance means the funds required by a business to carry out its various activities.
2. Fixed capital is needed to purchase long-term assets such as machinery.
3. Working capital is needed for day-to-day expenses like salaries and raw materials.
4. Equity shares and retained earnings.
5. Bank loan.
6. Shares represent ownership in the company, while debentures represent a loan to the company.


A. OWNERS' FUNDS
BUSINESS FINANCE
B. BORROWED FUNDS
CAPITAL CONTRIBUTED BY OWNERS/SHAREHOLDERS & RETAINED EARNINGS
FUNDS RAISED THROUGH LOANS & BORROWINGS
EQUITY SHARES
Ownership
Opesrable
• REPRESENT OWNERSHIP
• LONG-TERM CAPITAL
• VOTING RIGHTS
• SHARE IN PROFITS & LOSSES
VOTE
PREFERENCE SHARES
• PREFERENTIAL RIGHTS (DIVIDENDS, LIQUIDATION)
• FIXED RATE DIVIDENDS
• NO VOTING RIGHTS
RETAINED EARNINGS (PLOUGHING BACK PROFITS)
• REINVESTING COMPANY'S PROFITS
• INTERNAL SOURCE OF LONG-TERM FUNDS
• FLEXIBILITY & INDEPENDENCE
ISSUE OF SHARE
CAPITAL OBTAINED BY ISSUE OF SHARES = SHARE CAPITAL, CAPITAL DIVIDED INTO UNITS (SHARES).
DEBENTURES
DEBT INSTRUMENT
• LOAN TAKEN BY COMPANY
• HOLDERS ARE CREDITORS
• FIXED RATE OF INTEREST
LOANS FROM FINANCIAL INSTITUTIONS & COMMERCIAL BANKS
• MEDIUM & LONG-TERM LOANS
• FOR VARIOUS BUSINESS PURPOSES
COMMERCIAL BANKS
• CASH CREDIT, OVERDRAFT, TERM LOANS
• INTEREST RATE FACTORS
SHORT-TERM & MEDIUM-TERM FUNDS
TRADE CREDIT
• EXTENDED BY SUPPLIERS
• PURCHASE WITHOUT IMMEDIATE PAYMENT
PUBLIC DEPOSITS
• UNSECURED DEPOSITS FROM PUBLIC
• FIXED PERIOD
• SPECIFIED INTEREST RATE
COMPANY
COMMERCIAL PAPERS
DEBT
SHORT-TERM UNSECURED PROMISSARY NOTES
• ISSUED BY LARGE, CREDITWORTHY COMPANIES
• RAISE FUNDS FOR SHORT PERIOD
INTER CORPORATE DEPOSITS (ICD)
COMPANY A
COMPANY B
• UNSECURED SHORT-TERM DEPOSITS (COMPANY TO COMPANY)
• FOR SHORT-TERN CASH MANAGEMENT
BUSINESS FINANCE

CHAPTER - 8
Small Business and Enterprises

Content	Learning Outcomes
Entrepreneurship Development (ED): • Concept, Characteristics and Need • Process of Entrepreneurship Development • Start-up India Scheme • Ways to fund start-up • Intellectual Property Rights and Entrepreneurship	• Understand the concept of Entrepreneurship Development (ED). • Understand Intellectual Property Rights (IPR).
Small Scale Enterprise as defined by MSMED Act, 2006(Micro, Small and Medium Enterprise Development Act)	• Understand the meaning of small business.
Role of Small Business in India with special reference to rural areas	• Discuss the role of small business in India.
Government Schemes and Agencies for Small Scale Industries: • National Small Industries Corporation (NSIC) • District Industrial Centre (DIC)with special reference to rural and backward areas	• Appreciate the various Government schemes and agencies for the development of small-scale industries • Understand the role of NSIC and DIC with special reference to rural and backward areas.

Small scale Enterprises as defined by MSMED act, 2006:

Limit for investment in Plant and Machinery and Annual turnover as per latest amendment

Type of Units	Investment in Plant and Machinery	Turnover
Micro Enterprises	1 Crore	Does not exceed 5 crore
Small Enterprises	10 Crore	Does not exceed 50 crore
Medium Enterprises	50 Crore	Does not exceed 250 crore

Some more types of Small-Scale Enterprises:

Village Industries	Industry located in a rural area which produces any goods, renders any service with or without the use of power and in which the fixed capital investment per head or artisan or worker is specified by the central government, from time to time.
Cottage Industries	Cottage industries are also known as rural industries or traditional industries. They are not defined by capital investment criteria as in the case of other small-scale industries.

Role of small business in India:

<table>
<tr><td>1. Balanced Regional Development- Small businesses promote industrial growth in rural and backward areas, reducing regional disparities</td><td rowspan="5"><u>MNEMONICS</u> - "Be-Sel-Qo"
B – Balanced Regional Development
E – Employment Generation
S – Supply of Variety of Products
E – Entrepreneurship Opportunities
L – Low Cost of Production
Q – Quick & Timely Decisions</td></tr>
<tr><td>2. Employment Generation- They create large-scale employment opportunities with relatively low investment.</td></tr>
<tr><td>3. Supply of Variety of Products- Small businesses cater to diverse customer needs by producing a wide range of products.</td></tr>
<tr><td>4. Ample Opportunity for Entrepreneurship- They provide a platform for individuals to start and manage their own enterprises.</td></tr>
<tr><td>5. Low Cost of Production- Small businesses often operate with lower overhead costs, making production economical.</td></tr>
</table>

6. Quick and Timely Decisions- Their small size enables faster decision-making and prompt response to market changes	**O** – Output Generation
7. Output Generation- They contribute significantly to the country's industrial output and economic growth.	

Role of small business with special reference to rural India:

		MNEMONICS
1. Multiple Sources of Income	Small businesses provide additional income opportunities besides agriculture, improving rural livelihoods.	**"Money Makes People Rich and Employed"**
2. Mobilisation of Local Resources	They make productive use of locally available raw materials, skills, and labour.	**M** – Multiple Sources of Income
3. Prevent Migration	They create employment in villages, reducing the need for people to migrate to cities.	**M** – Mobilisation of Local Resources **P** – Prevent Migration
4. Reduction in Poverty	By generating income and employment, small businesses help improve the standard of living and reduce poverty.	**R** – Reduction in Poverty **E** – Employment Opportunity
5. Employment Opportunity	They provide direct and indirect employment to a large number of rural people.	

Government schemes and Agencies for small scale industries:

National Small Industries Corporation (NSIC): It supplies indigenous and imported machines on easy hire purchase schemes and exports the production of SSI. A new scheme of performance and credit rating scheme of small business is implemented through National Small Industries Corporation with the two objectives of:

(I) Sensitizing the small industries about the need for credit rating and

(II) Encouraging the small business unit to maintain good financial track record.

District industrial center (DICs): They provide all the services and support facilities to the Entrepreneurs for setting up small and village industries.

Incentives of schemes for the industries development of rural backward & hilly areas

		MNEMONICS
Land	Government provides land at concessional rates to encourage industrial development.	"Land, Power, Water – Tax Relief Today"
Power	Industries are offered electricity at subsidized rates to reduce operating costs.	**L** – Land **P** – Power
Water	Adequate water supply is provided at concessional rates for industrial use.	**W** – Water
Tax Holidays	New industries are exempted from paying certain taxes for a specified period.	**T** – Tax Holidays
Raw Material	Raw materials are supplied at concessional prices or with priority allocation.	**R** – Raw Material
Tax Exemption	Industries receive exemptions from various central and state taxes to promote investment.	**T** – Tax Exemption

Case Study (3/4 Marks, Short Answer Type)

1. Sushant Singh done his B.Tech in electrical engineering. He has no business experience but wants to start a small-scale manufacturing unit. He has chosen to manufacture light engineering goods which will be marketed to manufacturers and in replacement markets. Which Govt. agency should he approach receiving suitable guidance for stating his unit? What type of facilities will he be able to get from concerned agency?

Ans: (a) DIC (b) Role of DIC

2. Ravi, a young entrepreneur from a small village in Rajasthan, started a handicraft unit with an investment of ₹8 lakhs. Initially, he employed 10 local artisans to produce traditional handmade products. Over time, the demand for his products increased, and he expanded his business by selling through online platforms. Today, his enterprise employs 50 people from nearby villages and supplies a variety of handicraft products across India.

The business has helped improve the income of local families, encouraged other villagers to start similar ventures, and reduced migration to cities. Due to its small size, Ravi is able to make quick decisions regarding production and marketing. The enterprise also operates at a relatively low cost because it utilizes local resources and labour.
Identify any four roles of small business highlighted in the case.

Ans: **(a) Employment Generation –** The enterprise provides jobs to 50 local people.
(b) Balanced Regional Development – It promotes industrial growth in a rural area.
(c) Supply of Variety of Products – The business produces different handicraft items.
(d) Ample Opportunity for Entrepreneurship – Ravi started and successfully managed his own enterprise.

Concept of entrepreneurship development: Entrepreneurship is the process of setting up one's own business as distinct from pursuing any other economic activity, be it employment or practicing some profession. The person who set-up his business is called an entrepreneur. The output of the process, that is, the business unit is called an enterprise.

Characteristics of entrepreneurship:

1. Systematic Activity – Entrepreneurship involves planned and organized efforts to achieve business objectives. **2. Lawful and Purposeful Activity –** It is carried out within the legal framework with the aim of earning profit & creating value. **3. Innovation –** An entrepreneur introduces new ideas, products, services, or methods of production. **4. Organisation of Production –** An entrepreneur combines and coordinates various factors of production such as land, labour, capital, and enterprise. **5. Risk Taking –** An entrepreneur assumes the uncertainties and risks associated with running a business.	**<u>MNEMONICS</u>** **"Smart Leaders Innovate, Organise, and Risk."** **S** → Systematic Activity **L** → Lawful & Purposeful Activity **I** → Innovation **O**→ Organisation of Production **R** → Risk Taking

SMALL SCALE ENTERPRISES & THEIR ROLE IN INDIA

SMALL SCALE ENTERPRISES AS DEFINED BY MSMED ACT, 2006

Limit for Investment in Plant and Machinery and Annual Turnover (As per Latest Amendment)

TYPE OF UNITS	INVESTMENT IN PLANT AND MACHINERY	TURNOVER
MICRO ENTERPRISES	Up to 1 Crore	Does not exceed 5 crore
SMALL ENTERPRISES	Up to 10 Crore	Does not exceed 50 crore
MEDIUM ENTERPRISES	Up to 50 Crore	Does not exceed 250 crore

SOME MORE TYPES OF SMALL-SCALE ENTERPRISES

VILLAGE INDUSTRIES

Industry located in a rural area which produces any goods, renders any service with or without the use of power and in which the fixed capital investment per head or artisan or worker is specified by the central government, from time to time.

COTTAGE INDUSTRIES

Cottage industries are also known as rural industries or traditional industries. They are not defined by capital investment criteria as in the case of other small-scale industries.

ROLE OF SMALL BUSINESS IN INDIA

1. **Balanced Regional Development –** Small businesses promote industrial growth in rural and backward areas, reducing regional disparities.
2. **Employment Generation –** They create large-scale employment opportunities with relatively low investment.
3. **Supply of Variety of Products –** Small businesses cater to diverse customer needs by producing a wide range of products.
4. **Ample Opportunity for Entrepreneurship –** They provide a platform for individuals to start and manage their own enterprises.
5. **Low Cost of Production –** Small businesses often operate with lower overhead costs, making production economical.
6. **Quick and Timely Decisions –** Their small size enables faster decision-making and prompt response to market changes.
7. **Output Generation –** They contribute significantly to the country's industrial output and economic growth.

MNEMONIC

"Be-Sel-Qo"

- B – Balanced Regional Development
- E – Employment Generation
- S – Supply of Variety of Products
- E – Entrepreneurship Opportunities
- L – Low Cost of Production
- Q – Quick & Timely Decisions
- O – Output Generation

ROLE OF SMALL BUSINESS IN RURAL INDIA

1. **Multiple Sources of Income –** Small businesses provide additional income opportunities besides agriculture, improving rural livelihoods.
2. **Mobilisation of Local Resources –** They make productive use of locally available raw materials, skills, and labour.
3. **Prevent Migration –** They create employment in villages, reducing the need for people to migrate to cities.
4. **Reduction in Poverty –** By generating income and employment, small businesses help improve the standard of living and reduce poverty.
5. **Employment Opportunity –** They provide direct and indirect employment to a large number of rural people.

MNEMONIC

"Money Makes People Rich and Employed"

- M – Multiple Sources of Income
- M – Mobilisation of Local Resources
- P – Prevent Migration
- R – Reduction in Poverty
- E – Employment Opportunity

GOVERNMENT SCHEMES AND AGENCIES FOR SMALL SCALE INDUSTRIES

NATIONAL SMALL INDUSTRIES CORPORATION (NSIC)

It supplies indigenous and imported machines on easy hire purchase schemes and exports the production of SSI.

A new scheme of performance and credit rating scheme of small business is implemented through National Small Industries Corporation with the two objectives of:

I. Sensitizing the small industries about the need for credit rating and
II. Encouraging the small business unit to maintain good financial track record.

DISTRICT INDUSTRIAL CENTRE (DICs)

They provide all the services and support facilities to the Entrepreneurs for setting up small and village industries.

INCENTIVES OF SCHEMES FOR THE INDUSTRIES DEVELOPMENT OF RURAL, BACKWARD AND HILLY AREAS

LAND	Government provides land at concessional rates to encourage industrial development.
POWER	Industries are offered electricity at subsidized rates to reduce operating costs.
WATER	Adequate water supply is provided at concessional rates for industrial use.
TAX HOLIDAYS	New industries are exempted from paying certain taxes for a specified period.
RAW MATERIAL	Raw materials are supplied at concessional prices or with priority allocation.
TAX EXEMPTION	Industries receive exemptions from various central and state taxes to promote investment.

MNEMONIC

"Land, Power, Water – Tax Relief Today"

- L – Land
- P – Power
- W – Water
- T – Tax Holidays
- R – Raw Material
- T – Tax Exemption

Need of entrepreneurship:

1-Capital Formation – Entrepreneurship promotes investment and helps in the creation of productive assets in the economy. **2-Improvement in Per Capita Income** – It increases income levels by generating wealth and expanding economic activities. **3-Generating Employment Opportunities** – New enterprises create jobs for a large number of people. **4-Generating Business Opportunities for Others** – Entrepreneurs provide opportunities to suppliers, distributors, retailers, and service providers. **5-Improvement in Economic Efficiency** – Efficient utilization of resources leads to higher productivity and better output. **6-Increase the Spectrum and Scope of economic Activities** – Entrepreneurship encourages diversification and expansion of economic activities in different sectors.	**Mnemonic- "CIGGIS"** **C** – Capital Formation **I** – Improvement in Per Capita Income **G** – Generating Employment Opportunities **G** – Generating Business Opportunities for others **I** – Improvement in Economic Efficiency **S** – Spectrum and Scope of Economic Activities

Process of entrepreneurship development:

1. Identify a business opportunity- Identifying a potential market need or gap that can be converted into a business venture.	**MNEMONICS- "Intelligent Students Visit Business Markets, Start Expanding."** **Intelligent** → Identify a Business Opportunity **Students** → Select a Suitable Product/Service **Visit** → Viability Study **Business** → Business Plan **Markets** → Mobilise Financial Resources **Start** → Start-up **Expanding** → Expansion and Development
2. Selecting a Suitable Product or Service-Choosing the specific product or service that will satisfy the identified need.	
3. Conducting a Viability Study-Assessing the technical, financial, and market feasibility of the proposed venture.	
4. Business plan- Developing a detailed plan outlining objectives, strategies, and operational requirements.	
5. Mobilising Financial Resources- Arranging the funds required to establish and operate the business.	
6. Starting up- Setting up and commencing business operations.	
7. Expansion and Development-Increasing the scale of operations and exploring new opportunities for growth.	

Start-up India Scheme:

As per the notification dated February 17 2017 issued by the Ministry of commercial and industry are start-up means:

(I) An entity incorporated or registered in India .

(II) Not older than five years.

(III) Annual turnover does not exceed a rupees 25 crore in a preceding year.

(VI) Working towards innovations, development of commercialisation of products/ services/ process driven by technology or Intellectual property right (IPRs)and patents.

Way to fund start-up:

1-Microfinance & NBFCs- Accessing small loans and financial assistance from Microfinance Institutions and Non-Banking Financial Companies.	**MNEMONICS - "MBA-VCB"** **M –** Microfinance & NBFCs **B –** Bootstrapping **A –** Angel Investment
2- Bootstrapping – Starting and running a business using personal savings and internal funds.	
3- Angel Investment – Obtaining funds from wealthy individuals who invest in promising start-ups in exchange for ownership equity.	
4- Venture Capital – Receiving investment from professional firms that	

finance high-growth potential businesses	**V –** Venture Capital
5- Crowdfunding – Raising small amounts of money from a large number of people through online platforms.	**C –** Crowdfunding
6- Business Incubators and Accelerators – Organizations that provide funding, mentoring, training, and other support to start-ups**.**	**B –** Business Incubators & Accelerators

Intellectual property right (IPRs)

Legal rights conferred on production (like inventions, books, paintings, songs, symbols, names, images or design used in business etc.) are called intellectual property rights (IPRs)

Intellectual properties divided into two broad categories:

(I) Industrial property, which include inventions (patents), trademarks, industrial designs Geographical industries.

(II) Copyrights, which includes literary and hardest works, like novels, poems, plays, films, musical work, artistic works, like drawings, Geographic and sculptures and architectural designs.

Case Study (6 marks, Long Answer Type)

1. After completing MBA from FMS, Delhi, Raveena decided to enter into a start-up business. She wants to explore the diary product business after hearing news of adulteration being found in the milk all over Delhi. She does feasibility studies and finds there is a demand for healthy and quality products in the market. She is confused about the options available to her for her startup. Suggest and explain any 6 ways through which she can finance it.

Ans The funding for start-ups can be available in the following ways:

1. Boot Strapping. 2. Crowd Funding. 3. Angel Investment. 4. Venture Capital.

5. Business Incubators and Accelerators. 6. Microfinance and NBFCs

MULTIPLE CHOICE QUESTIONS

I. Whose investment in plant and machinery does not exceed Rupees? Is known as tiny Enterprise

a) 75 lakh. b) 50 lakh c) 25 lakh d) none of these

2. Which among the following banks provides financial assistance particularly to small business

a) IDBI b) ICICI c) SIDBI d) IFCI

3.The MSMED Act

a) 2006 b) 2005 c) 2009 d) 2019

4. The MSMED Act 2006 has been amended

a) 2000 b) 2020 c) 2019 d) 2016

5. To protect a process, method or innovation one gets

A) copyright b) Patent c) Trademark d) None of the above

6. Which of the following is not a type of intellectual property rights?

a) Trademark b) Copyright c) Patent d) None of these

7. SSIs comprises of…………% of the total industrial units in India

a) 45% b) 25% c) 95% d) 80%

8. Geographical indication of Goods (Registration and Protection) Act was passed in which year

a) 1998 b) 1999 c) 2002 d) 2006

9. The practice of funding a project by raising money from a large number of people for a common goal is known as

a) Venture capital b) Loan from NBFC c) Crowd funding d) None of the above

10. What is the maximum turnover limit for a micro enterprise as per MSMED Act?

a) ₹ 10 crore b) ₹ 5 crore c) ₹ 1 crore d) Any of the above

Ans:

1-c	**2-c**	**3-a**	**4-b**	**5-b**	**6-d**	**7-c**	**8-b**	**9-c**	**10-b**

Assertion reasons Question's

Read the statements and choose the appropriate option from the options given below;

A) Both Assertion (A) and Reason(R) are true and Reason (R) is 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

1. Assertion (A): Small business is defined on the basis of investment in plant and machinery or equipment in India.

Reason (R): In India, there is scarcity of capital and abundance of labour.

2. Assertion (A): Small industries promote balanced regional development of the country.

Reason (R): In case of organisation of small industries, quick and timely decisions can be taken due to the small size of the organization

3. Assertion (A): The MSMED Act classification is now based on both investment and annual turnover.

Reason (R): Separate criteria for manufacturing and service enterprises have been abolished.

4. Assertion (A): A business with an investment of ₹ 8 crore and turnover of ₹ 40 crore will be classified as a Small Enterprise.

Reason (R): A Small Enterprise is one whose investment does not exceed ₹ 10 crore and turnover does not exceed ₹ 50 crore.

5. Assertion (A): The revised MSME classification encourages enterprises to expand their operations.

Reason (R): The investment and turnover limits for MSMEs were increased under the revised classification.

Ans

1-d	**2-a**	**3-b**	**4-a**	**5-a**

Long Answer Type Question

Q.1 After completing her M.Com from a reputed university, Richa returned to her village in a hilly region of India. She wanted to contribute to the development of women in her village. Therefore, she formed an organisation whose membership was open to all village women on a voluntary basis by paying only ₹500 as share capital.

Richa knew that the local climate and soil were suitable for cultivating medicinal plants. She encouraged the members to grow medicinal plants in their fields with the guidance and support of the local agricultural department. It was decided that the organisation would purchase the produce from all members and sell it collectively to pharmaceutical companies at better prices than individual members could obtain on their own.

The primary objective of the organisation was to provide services to its members rather than earn profits. The surplus generated was used to establish a computer training centre for the youth of the village.

(a) Name and explain the process that helped Richa in developing an idea into a business opportunity.

(b) What is the need for the concept identified in part (a)? Explain any 2 points.

Ans: a. Entrepreneurship.

b. **(i) Employment Generation** – Entrepreneurship creates job opportunities for people and improves their standard of living.

(ii) Balanced Regional Development – It promotes economic growth in rural and backward areas, thereby reducing regional disparities.

ENTREPRENEURSHIP DEVELOPMENT

Key Concepts at a Glance

1. CONCEPT OF ENTREPRENEURSHIP DEVELOPMENT

Entrepreneurship is the process of setting up one's own business as distinct from pursuing any other economic activity, be it employment or practicing some profession.

The person who set-up his business is called an entrepreneur. The output of the process, that is, the business unit is called an enterprise.

2. CHARACTERISTICS OF ENTREPRENEURSHIP

- **S** — **Systematic Activity** – Planned and organized efforts to achieve business objectives.
- **L** — **Lawful & Purposeful Activity** – Carried out within legal framework to earn profit and create value.
- **I** — **Innovation** – Introduction of new ideas, products, services or methods.
- **O** — **Organisation of Production** – Combining and coordinating land, labour, capital and enterprise.
- **R** — **Risk Taking** – Assuming uncertainties and risks associated with running a business.

MNEMONIC: "SMART LEADERS INNOVATE, ORGANISE, AND RISK."

3. NEED / IMPORTANCE OF ENTREPRENEURSHIP

- **C** — **Capital Formation** – Promotes investment and helps in the creation of productive assets.
- **I** — **Improvement in Per Capita Income** – Increases income levels and expands economic activities.
- **G** — **Generating Employment Opportunities** – New enterprises create jobs for many people.
- **G** — **Generating Business Opportunities for Others** – Provides opportunities to suppliers, distributors, retailers and service providers.
- **I** — **Improvement in Economic Efficiency** – Efficient utilization of resources leads to higher productivity and better output.
- **S** — **Increase the Spectrum and Scope of Economic Activities** – Encourages diversification and expansion of economic activities in different sectors.

MNEMONIC: "CIGGIS"

4. PROCESS OF ENTREPRENEURSHIP DEVELOPMENT

1. **Identify a Business Opportunity** – Identifying a potential market need or gap that can be converted into a business venture.
2. **Select a Suitable Product or Service** – Choosing the specific product or service that will satisfy the identified need.
3. **Conducting a Viability Study** – Assessing the technical, financial, and market feasibility of the proposed venture.
4. **Business Plan** – Developing a detailed plan outlining objectives, strategies, and operational requirements.
5. **Mobilising Financial Resources** – Arranging the funds required to establish and operate the business.
6. **Starting Up** – Setting up and commencing business operations.
7. **Expansion and Development** – Increasing the scale of operations and exploring new opportunities for growth.

MNEMONIC: "INTELLIGENT STUDENTS VISIT BUSINESS MARKETS, START EXPANDING."

5. STARTUP INDIA SCHEME (AS PER NOTIFICATION DATED FEBRUARY 17, 2017)

- **I** — An entity incorporated or registered in India.
- **II** — Not older than five years. (5 YEARS)
- **III** — Annual turnover does not exceed ₹25 crore in a preceding year. (₹25 CRORE)
- **IV** — Working towards innovations, development or commercialisation of products/services/ process driven by technology or Intellectual Property Rights (IPRs) and patents. (PATENTED)

6. WAYS TO FUND A STARTUP

- **M** — **Microfinance & NBFCs** – Accessing small loans and financial assistance from Microfinance Institutions and Non-Banking Financial Companies.
- **B** — **Bootstrapping** – Starting and running a business using personal savings and internal funds.
- **A** — **Angel Investment** – Funds from wealthy individuals who invest in promising start-ups in exchange for ownership equity.
- **V** — **Venture Capital** – Investment from professional firms that finance high-growth potential businesses.
- **C** — **Crowdfunding** – Raising small amounts of money from a large number of people through online platforms.
- **B** — **Business Incubators & Accelerators** – Organizations that provide funding, mentoring, training, and other support to start-ups.

MNEMONIC: "MBAA-"

7. INTELLECTUAL PROPERTY RIGHTS (IPRs)

Legal rights conferred on production (like inventions, books, paintings, songs, symbols, names, images or design used in business etc.) are called Intellectual Property Rights (IPRs).

IPRs ARE DIVIDED INTO TWO BROAD CATEGORIES

I. INDUSTRIAL PROPERTY

Includes inventions (patents), trademarks, industrial designs and geographical indications.

PATENT · TRADEMARK · DESIGN · GI (Geographical Indication)

II. COPYRIGHTS

Includes literary and artistic works like novels, poems, plays, films, musical works, artistic works like drawings, paintings, sculptures and architectural designs.

BOOKS · MUSIC · FILMS · ART · ARCHITECTURE

IPR PROTECTS IDEAS CREATES VALUE BUILDS FUTURE

CHAPTER - 9
INTERNAL TRADE

LEARNING OUTCOMES:-

Topics / Subtopics	Learning Objectives
Internal Trade – Meaning and Types; Services Rendered by a Wholesaler and a Retailer	• State the meaning and types of internal trade.• Appreciate the services of wholesalers and retailers.
Types of Retail Trade – Itinerant and Small-Scale Fixed Shop Retailers	• Explain the different types of retail trade.
Large-Scale Retailers – Departmental Stores, Chain Stores and Mail Order Business (Concept)	• Highlight the distinctive features of departmental stores, chain stores and mail order business.
GST (Goods and Services Tax) – Concept and Key Features	• Understand the concept of GST.

Introduction of internal Trade:

Definition: Internal trade refers to the buying and selling of goods and services within the geographical boundaries of a country. It is also known as domestic trade or home trade.

Characteristics:

- Conducted in the national currency (Rupees in India)
- Governed by national laws and regulations
- Includes both wholesale and retail trade
- No customs duties or import/export taxes are involved

Types of Internal Trade:

1. **Whole sale Trade:** Purchase and sale of goods in large quantities, mainly for resale or business use.
2. **Retail Trade:** Sale of goods in small quantities directly to the end consumers.

Functions of Wholesalers:

1. **Bulk Purchasing:** Buy goods in large quantities from manufacturers. 2. **Storage:** Maintain warehouses to store goods. 3. **Breaking Bulk:** Divide large quantities into smaller lots for retailers. 4. **Financing:** Provide credit facilities to retailers. 5. **Risk Bearing:** Assume risks like price fluctuations, spoilage, etc. 6. **Market Information:** Provide feedback to manufacturers about market trends **<u>Services Provided by Wholesalers:</u>** **To Manufacturers:** A. Ensure steady demand for products. B. Reduce manufacturers' burden of distribution. C. Provide market intelligence. **To Retailers:** A. Availability of various products in one place.	**Buy → Store → Break → Find →Risk → Info** 1. Bulk Purchasing 2. Storage 3. Breaking Bulk: 4. Financing 5. Risk Bearing 6. Market Information.

B. Credit facilities. C. Relief from maintaining large inventories.	

Types of Retailers:

A. Itinerant Retailers

1. Characteristics:

i. Do not have a fixed place of business.

ii. Operate with minimal capital investment.

iii. Deal in low-cost, every day products.

2. Types of Itinerant Retailers

Types of Itinerant Retailers	Description
Peddlers and Hawkers	Move from place to place carrying goods on bicycles, handcarts, baskets, etc., and sell directly to consumers.
Market Traders	Sell goods at fixed places on specific days, such as weekly markets and fairs.
Street Traders (Street Vendors)	Sell goods on busy streets and pavements at a particular location.
Cheap Jacks	Travel from one locality to another selling low-priced goods and providing attractive bargains.
Mnemonic- PMSC	**P** – Peddlers and Hawkers **M** – Market Traders **S** – Street Traders **C** – Cheap Jacks

B. Fixed Shop Retailers

1. Small-Scale Retailers:

- General Stores: Sell a variety of daily necessities (e.g., groceries, stationery).
- Specialty Shops: Focus on a specific product line (e.g., books, electronics).
- Second-Hand Goods Shops: Deal in used items like furniture or clothing.

2. Large-Scale Retailers:

a. Departmental Stores: Large retail outlets offering a wide range of products under one roof (e.g., Shoppers Stop).

- Advantages: Convenience, variety, economies of scale.
- Disadvantages: High operating costs, impersonal service.

b. Chain Stores/ Multiple Shops: Branches of the same store across locations (e.g., Bata, McDonald's).

Features: Standardised products, centralized management.

c. Mail Order Business- Mail order houses are retail organisations which carry on business through mail. Mail order business is also known as "selling through post" for the retailer and "shopping by post" for the consumer.

Features: No personal Contact, Small capital requirement

Goods & Service Tax (GST):

GST is tax on supply of goods and services. Under GST no distinction is made between goods and services for the levying of tax.

Features:

1. One indirect tax for the entire country
2. Destination Based Tax
3. Simple Procedure

Case Studies

Case1: Kirana Store vs. E-Commerce

- Problem: Local shops lose customers to online discounts.
- Solution: Adopt digital tools like WhatsApp order sand UPI payments.

Case 2: Impact of GST on Wholesalers

- Positive: Input tax credit reduces tax burden.
- -Negative: Small traders struggle with digital filing.

Key Terms and Definitions

- GST: A unified indirect tax replacing multiple state and central taxes.
- Input Tax Credit (ITC): Tax paid on inputs can be deducted from output tax liability.
- Vending Zone: Designated area allocated to street vendors.

Multiple Choice Questions (MCQs)

1. Which of the following is not a feature of internal trade?
(a) It takes place with in a country (b) It involves multiple currencies
(c) It is subject to local laws (d) It involves buying and selling of goods

2. Which of the following is an example of wholesale trade?
(a). Buying from a shopkeeper (b) Selling to final consumers
(c) Selling goods to retailers (d) Importing goods

3. Which of the following is not a function of retailers?
a). Assembling of goods (b) Risk bearing
(c). providing credit facilities to wholesale (d) after sales services

4. Internal Trade refers to trade carried on:
a) Between two countries b) Within the boundaries of a country
c) Across continents d) Through online platforms

5. Retail Trade involves:
a) Selling goods in bulk to wholesalers b) Selling goods directly to consumers
c) Exporting goods abroad d) Manufacturing goods

6. Wholesale Trade is characterized by:
a) Selling goods in small quantities b) Selling goods in large quantities to retailers
c) Selling goods directly to consumers d) Importing goods

7. Itinerant Retailers are:
a) Retailers who move from place to place b) Retailers with permanent shops
c) Retailers who sell online d) Retailers who sell only imported goods

8. Departmental Stores are best described as:
a) A single shop selling one type of product
b) A large store divided into departments selling different products
c) A wholesale market
d) A government-run store

9. **Chain Stores** are:
a) Owned by different individuals b) Owned and managed by the same company
c) Temporary stalls d) Government cooperatives

10. Internal Trade Importance lies in:
a) Promoting international relations b) Increasing foreign exchange reserves
c) Ensuring availability of goods within the country d) Reducing imports

Answers: -

Q No.	1	2	3	4	5	6	7	8	9	10
Ans.	(b)	(c)	(c)	(b)	(b)	(b)	(a)	(b)	(b)	(c)

Assertion and Reason Questions (ARQs)
Answer the following Question from the option given below

Options:
a) Both A and R are true, and R is the correct explanation of A.
b) Both A and R are true, but R is not the correct explanation of A.
c) A is true, but R is false.
d) A is false, but R is true.

1. **Assertion**: Internal trade helps in promoting local industry.
   Reason: Internal trade involves imports and exports.

2. **Assertion**: Retailers provide important feedback to manufacturers.
   Reason: Retailers interact directly with final consumers.
3. **Assertion**: Wholesalers bear the risk of storage and spoilage.
   Reason: Wholesalers sell goods to final consumers.
4. **(Statement I):** A Commercial Invoice is a primary financial document in international trade, detailing transaction specifics.
   (Statement II): The Bill of Lading confirms the shipment of goods.
   (a) Both statements are true, and statement II explains statement I.
   (b) Both statements are true, but statement II is not an explanation for statement I.
   (c) Statement I is true, and statement II is false.
   (d) Statement I is false, and statement II is true.
5. **(Statement I)** Bill of Lading is a crucial document for international shipments because it serves as proof of ownership.
   (Statement II) The Bill of Lading is issued by the shipping company and acts as a receipt for the goods.
   (a) Both statements are true, and statement II explains statement I.

(b) Both statements are true, but statement II is not an explanation for statement I.
(c) Statement I is true, and statement II is false.
(d) Statement I is false, and statement II is true.

Ans:

Q No.	**1**	**2**	**3**	**4**	**5**
Ans.	**c**	**a**	**C**	**b**	**a**

Case Studies:

Q.1 A company sells its products only in India through its chain of distributors and retailers. The business has grown significantly due to efficient internal trade practices.

Answer the following questions:-
i: Identify the type of trade.
ii: How does internal trade contribute to business growth?
iii: Mention any two features of internal trade.

Q.2 "ABC" Retailers sources groceries from a wholesale market and sells to customers in their locality. They offer free home delivery and credit facilities**.**

Answer the following questions:-
i: Which type of trader is "ABC"?
ii: Mention two services provided by them.
iii: How do they add value to the supply chain?

Q.3 Mr. Kapoor is a wholesaler dealing in electronic goods. He supplies the goods to retailers in different cities and provides them with guidance on product display and customer preferences.

Answer the following questions:-
i: What kind of trade is this?
ii: Name two services provided by the wholesaler.
iii: Why are wholesalers important for manufacturers?

Q.4 Riya visited a large retail store where she found groceries, clothing, electronics, toys, and household items under one roof. The store allowed customers to select goods themselves and make payment at a centralized billing counter. Attractive discounts and promotional offers were also available.
i) Identify the type of retail outlet described in the case.
ii) State any two features of this type of retail outlet.
iii) Mention two advantages enjoyed by customers shopping from such stores.

Q.5 Fresh Mart Ltd. operates 150 retail outlets across different cities in India. All the stores sell similar products, follow the same pricing policy, and are centrally managed from the company's head office. Customers experience the same shopping environment regardless of the location they visit.

i. Identify the form of retail trade discussed in the case.
ii. State any two features of this form of retailing.
iii. How does centralized management help the organization?

iv. Mention any two advantages enjoyed by customers.

Ans:- Q.1. i. Ans: This is internal trade since it is confined to the country's territory.
ii: Ans: Internal trade increases market reach, improves supply chain efficiency, and ensures customer satisfaction which promotes business growth.
iii: Ans: Two features: (i) Transactions take place in local currency. (ii) Goods move within domestic boundaries.
Q.2
i: "ABC" is a retailer, dealing directly with final consumers.
ii. They provide convenience through home delivery and support customers through credit.
iii. Retailers make goods accessible, promote customer satisfaction, and help in the distribution process.
Q.3
i: Ans: This is wholesale trade.
ii: Ans: Wholesalers provide technical advice and maintain product availability.
iii: Ans: They ensure steady demand, reduce inventory burden for manufacturers, and extend market reach.
Q.4 –
i) Departmental Stores
ii) a) Wide Variety of Products: Different types of goods such as groceries, clothing, electronics, toys, and household items are sold under one roof.
b) Departmental Organization: The store is divided into separate departments, each specializing in a particular product category.
iii) a) One-Stop Shopping: Customers can buy a variety of products at a single place.
b) Convenience and Better Services: Facilities such as self-selection, centralized billing, attractive displays, and promotional offers save time and effort.
Q.5 i) Chain Stores / Multiple Shops
(ii) State any two features of this form of retailing.
a) Uniform Products and Prices:
b) Centralized Management:
(iii) How does centralized management help the organization?
a) It ensures uniformity in operations and pricing across all outlets.
b) It enables economies of scale through bulk purchasing and centralized decision- making, reducing costs.
(iv) Mention any two advantages enjoyed by customers.
a) Standardized Quality and Prices: Customers receive the same quality products and prices at every outlet.
b) Easy Availability: Goods are available at multiple locations, making shopping more convenient.

INTERNAL TRADE

Internal trade refers to the buying and selling of goods within the boundaries of a country.

TYPES OF INTERNAL TRADE

WHOLESALE TRADE

Sale of goods in large quantities to retailers, industrial users or other businesses.

RETAIL TRADE

Sale of goods in small quantities directly to final consumers for their personal use.

SERVICES RENDERED BY WHOLESALERS AND RETAILERS

WHOLESALERS

- Buying and selling
- Breaking of bulk
- Storage
- Transportation
- Financing
- Risk bearing
- Market information

RETAILERS

- Buying and selling
- Assortment
- Breaking of bulk
- Providing information
- Home delivery
- After-sales service

TYPES OF RETAIL TRADE

A. ITINERANT RETAILERS (PMSC) – Move from place to place to sell goods.

Peddlers and Hawkers

Move from place to place carrying goods on bicycles, handcarts, baskets, etc., and sell directly to consumers.

Market Traders

Sell goods at fixed places on specific days, such as weekly markets and fairs.

Street Traders (Street Vendors)

Sell goods on busy streets and pavements at a particular location.

Cheap Jacks

Travel from one locality to another selling low-priced goods and providing attractive bargains.

B. SMALL SCALE FIXED SHOP RETAILERS

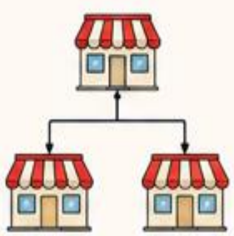
Operate from a fixed place in small shops and sell goods directly to consumers.

LARGE SCALE RETAILERS

DEPARTMENTAL STORES

- Large retail outlets dealing in a wide variety of goods and services under one roof.
- Divided into different departments managed by specialists.

CHAIN STORES



- A group of retail outlets under common ownership and management.
- All stores have similar policies, image and operating procedures.

MAIL ORDER BUSINESS

- Goods are sold on the basis of advertisements in newspapers/ magazines.
- Customers place orders by post, phone, email, etc.

GST (GOODS AND SERVICES TAX)

GST is an indirect tax levied on the supply of goods and services at every stage of value addition.

KEY FEATURES OF GST

- ✓ It is a comprehensive indirect tax on goods and services.
- ✓ It is levied on the supply of goods and services.
- ✓ It is a destination-based tax (levied where goods/services are consumed).
- ✓ It has replaced many indirect taxes (e.g., excise duty, service tax, VAT, etc.).
- ✓ It provides for 'Input Tax Credit' to the businesses.
- ✓ It has a dual GST model – CGST + SGST (within a state) and IGST (between states).

CHAPTER - 10
INTERNATIONAL BUSINESS

Topic	Learning Outcomes
International Trade: Concept and Benefits	• Understand the concept of international trade.• Describe the scope of international trade to the nation and business firms.
Export Trade – Meaning and Procedure	• State the meaning and objectives of export trade.• Explain the important steps involved in executing export trade.
Import Trade – Meaning and Procedure	• State the meaning and objectives of import trade.• Discuss the important steps involved in executing import trade.
Documents Involved in International Trade (Indent, Letter of Credit, Shipping Order, Shipping Bills, Mate's Receipt, DA/DP)	• Develop an understanding of the various documents used in international trade.• Identify the specimen of the various documents used in international trade.• Highlight the importance of the documents needed in connection with international trade transactions.
World Trade Organization (WTO): Meaning and Objectives	• State the meaning of the World Trade Organization (WTO).• Discuss the objectives of the World Trade Organization in promoting international trade.

Concept of International Business: -

International trade refers to the **voluntary exchange of goods and services between countries**. It occurs across national boundaries and is mutually beneficial because no country is completely self-sufficient.

Types of International trade: -

1. **Export** Trade: **-** Selling goods and services to other countries. Example: India exporting textiles, IT services, and gems.
2. **Import Trade: -** Buying goods and services from other countries. Example: India importing crude oil, machinery, and electronics.

International Business	
Export: a product which is sold bought to a buyer in the global market is called an export	Import: a product which is from a supplier in the market is called an import

Benefits of International Business: -

Benefits to Nations: -

1. **Foreign Exchange Earnings: -** International business helps a country earn foreign exchange, which can later be used to pay for its imports of other goods.
2. **Comparative Advantage: -** A nation should produce what it can produce more efficiently, and trade the surplus with other countries to obtain what they can produce more efficiently.
3. **Growth and Employment: -** Exporting and flourishing in international trade improves growth prospects and creates opportunities for employment.
4. **Higher Living Standards: -** Due to international business, people across the world are able to consume more goods and enjoy a higher standard of living.

Benefits to Firms

1. **Higher Profits**: - When domestic prices are lower, business firms can earn higher profits by selling their products in countries where prices are relatively higher.

1. **Better Capacity Utilization: -** Firms can utilize surplus production capacity, thereby improving the overall profitability of operations.
2. **Growth Opportunities: -** When demand in the home country becomes saturated, companies can explore growth opportunities in developing countries.
3. **Reduced Domestic Pressure: -** When competition in the domestic market is very intense, internationalization becomes a practical way to achieve significant growth.

Benefits to Firms: -

1. **Higher Profits: -** Firms can earn higher profits by selling products in countries where prices are relatively higher.
2. **Better Capacity Utilization: -** Surplus production capacity can be utilized, improving overall profitability.
3. **Growth Opportunities: -** When domestic demand is saturated, firms can expand into developing countries.
4. **Reduced Domestic Pressure: -** Intense competition at home can be overcome by internationalization, enabling significant growth.

Meaning and objectives of export trade:

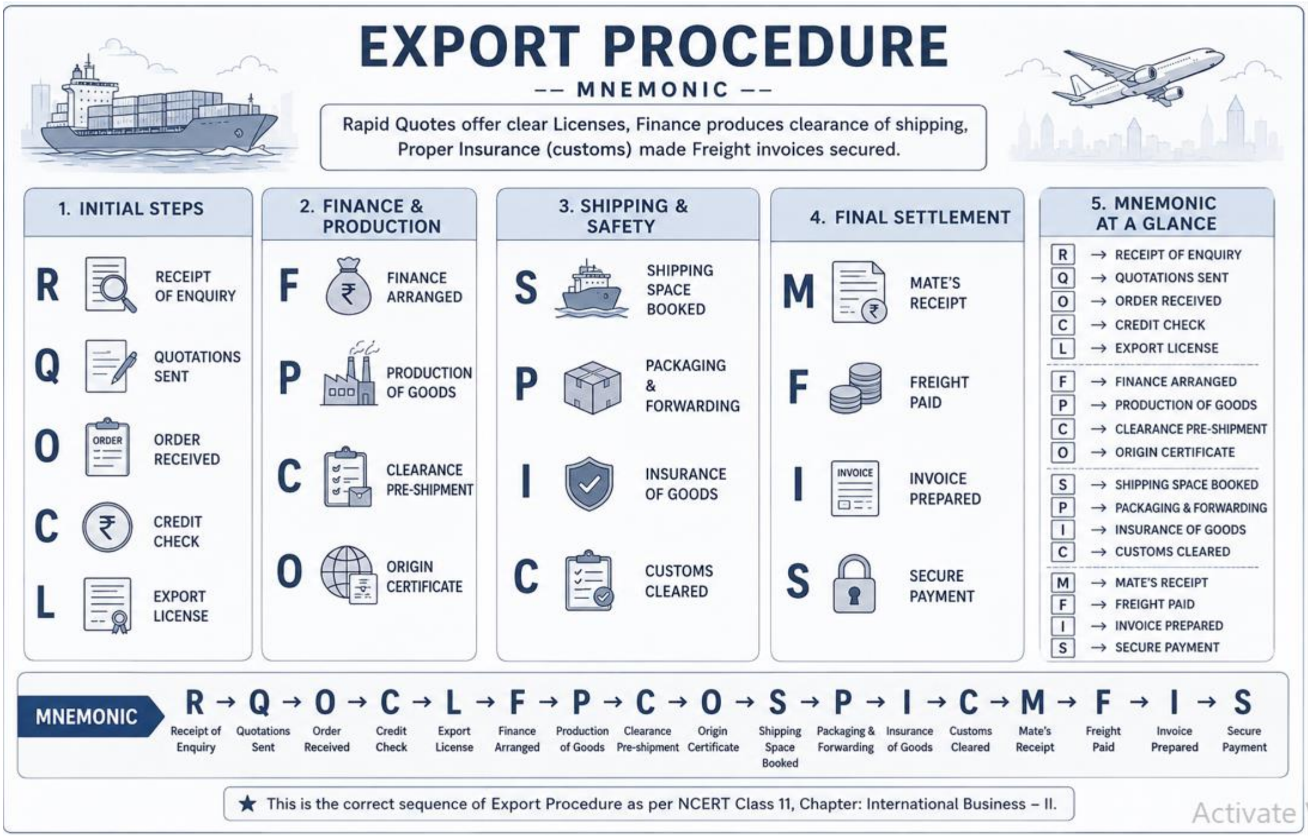
Export Trade refers to selling goods and services produced in the home country to foreign country or a cross the border.

Objectives:

1. To sell surplus goods
2. To make Better utilization of Resources
3. To earn foreign exchange
4. To increase National Income
5. To generate Employment
6. To increase Government Revenue

Export Process: -

<table>
<tr><td>1</td><td>Receipt of Enquiry and sending quotations</td><td>2</td><td>Receipt of order or indent</td><td rowspan="8">Receipt of Quotations → Order → Credit → License → Finance → Production → Clearance → Origin → Shipping → Packaging → Insurance → Customs → Mate’s Receipt → Freight → Invoice → Securing Payment
Mnemonic: "Really Quick Orders Can Lead Fast Processing, Clearance Of Shipping, Proper Insurance, Customs Made Freight Invoices Secured."</td></tr>
<tr><td>3</td><td>Accessing importer's credit worthiness</td><td>4</td><td>Obtaining export license</td></tr>
<tr><td>5</td><td>Obtaining pre-shipment Finance</td><td>6</td><td>Production or Procurement of Goods</td></tr>
<tr><td>7</td><td>Pre-shipment Clearance</td><td>8</td><td>Obtaining Certificate of Origin</td></tr>
<tr><td>9</td><td>Reserving shipping space</td><td>10</td><td>Package and forwarding</td></tr>
<tr><td>11</td><td>Insurance of Goods</td><td>12</td><td>Customs Clearance</td></tr>
<tr><td>13</td><td>Obtain Mate's Receipt</td><td>14</td><td>Payment of Freight</td></tr>
<tr><td>15</td><td>Preparation of Invoice</td><td>16</td><td>Securing Payment</td></tr>
</table>



Meaning and objectives of import trade

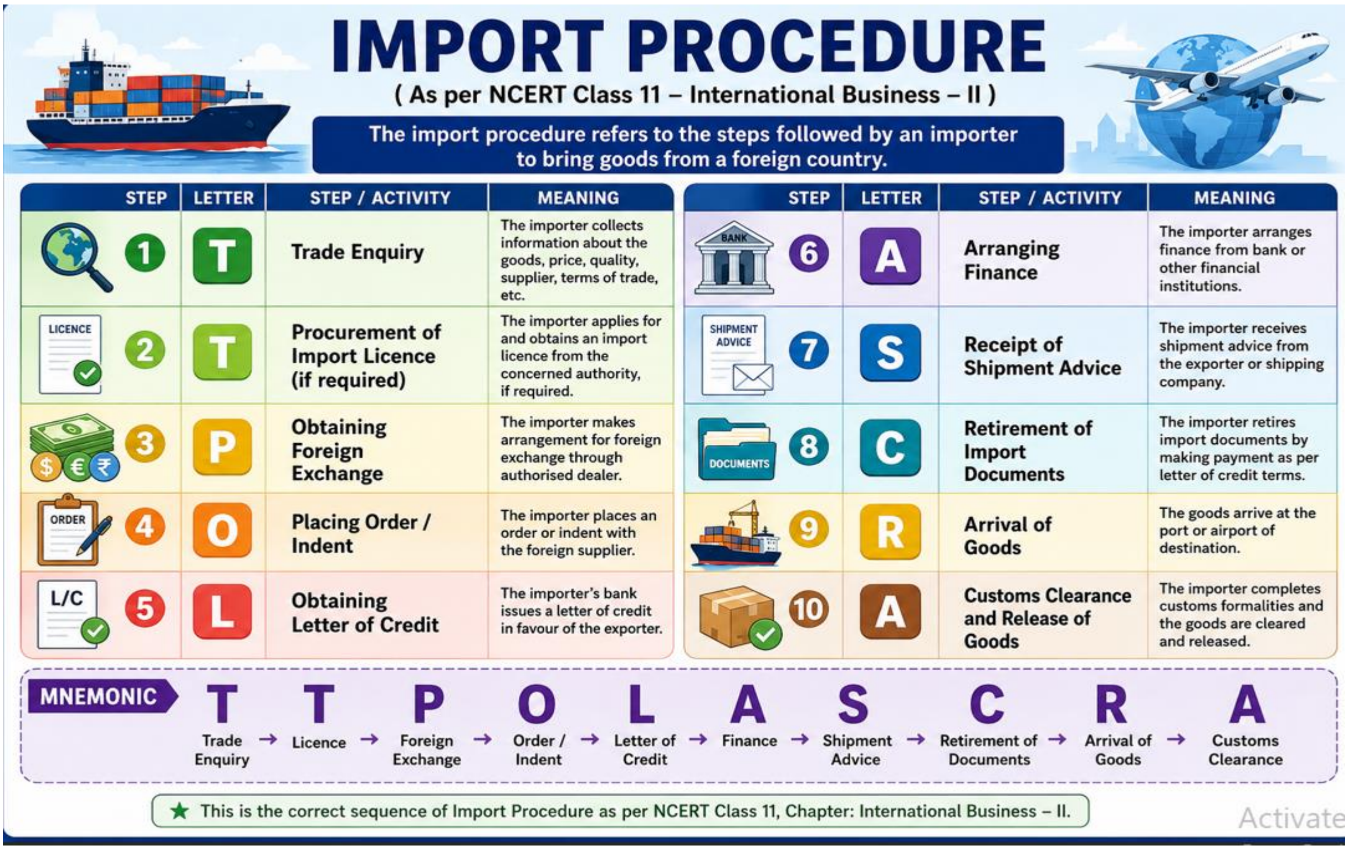
Import trade refers to buying goods and services from another country.

Objectives: -

1. To speed up industrialization. 2. To meet consumer demand.
3. To improve Standard of living 4. To overcome Natural Calamities
5. To ensure National Defence.

Import Process: -

<table>
<tr><td>1</td><td>Trade enquiry</td><td>2</td><td>Procurement of import license</td><td rowspan="5">T-L-E-O-L-F-S-R-A-C Mnemonic: "Trade Licenses Ensure Orders, Letters Finance Shipments, Receipts Arrive Customs."</td></tr>
<tr><td>3</td><td>Obtaining foreign exchange</td><td>4</td><td>Placing order or indent</td></tr>
<tr><td>5</td><td>Obtaining Letter of Credit</td><td>6</td><td>Arranging of finance</td></tr>
<tr><td>7</td><td>Receipt of shipment advice</td><td>8</td><td>Retirement of import documents</td></tr>
<tr><td>9</td><td>Arrival of goods</td><td>10</td><td>Custom clearance & release of goods</td></tr>
</table>



IMPORT PROCEDURE

(As per NCERT Class 11 – International Business – II)

The import procedure refers to the steps followed by an importer to bring goods from a foreign country.

STEP	LETTER	STEP / ACTIVITY	MEANING
1	T	Trade Enquiry	The importer collects information about the goods, price, quality, supplier, terms of trade, etc.
2	T	Procurement of Import Licence (if required)	The importer applies for and obtains an import licence from the concerned authority, if required.
3	P	Obtaining Foreign Exchange	The importer makes arrangement for foreign exchange through authorised dealer.
4	O	Placing Order / Indent	The importer places an order or indent with the foreign supplier.
5	L	Obtaining Letter of Credit	The importer's bank issues a letter of credit in favour of the exporter.
6	A	Arranging Finance	The importer arranges finance from bank or other financial institutions.
7	S	Receipt of Shipment Advice	The importer receives shipment advice from the exporter or shipping company.
8	C	Retirement of Import Documents	The importer retires import documents by making payment as per letter of credit terms.
9	R	Arrival of Goods	The goods arrive at the port or airport of destination.
10	A	Customs Clearance and Release of Goods	The importer completes customs formalities and the goods are cleared and released.

MNEMONIC: T (Trade Enquiry) → T (Licence) → P (Foreign Exchange) → O (Order / Indent) → L (Letter of Credit) → A (Finance) → S (Shipment Advice) → C (Retirement of Documents) → R (Arrival of Goods) → A (Customs Clearance)

★ This is the correct sequence of Import Procedure as per NCERT Class 11, Chapter: International Business – II.

DOCUMENTS USED IN EXPORT TRANSACTIONS

Documents required in an export transaction

Documents related to goods: -

1. **Export Invoice:** An export invoice is a bill prepared by the seller giving information about the quantity of bill, the number of packages, the amount of bill, the name of the destination port, terms of delivery, etc.

2. **Packing list:** The packing list states the number of packs and the nature of goods contained within the packages.

3. **Certificate of origin:** A certificate of origin specifies the name of the country in which goods are being produced. It helps the exporter to avail of the benefits given by the importer country to an exporter of some specific countries.

4. **Certificate of inspection:** A certificate of inspection acts as a guarantee that goods to be exported are of good quality. Such a certificate is issued by government authorized agencies, such as the Export Inspection Council of India (EICI).

1. Documents related to shipment

1. **Mate's receipt:** A Mate's receipt is issued by the captain of the ship to the Port Superintendent after the goods are loaded on the ship. Port Superintendent, on receipt of port charges, passes on the receipt to the exporter or the C&F agent. The mate's receipt is important for computing freight charges.

2. **Shipping Bill:** A shipping bill is issued by an export firm that gives details of the goods, the name and address of the exporter, the name of the loading port, the name of the destination, and soon. The shipping bill is the most important document required to obtain customs clearance.

3. **Bill of lading:** After the computation of freight charges, the shipping company issues a bill of lading issued as proof of accepting and delivering the goods to their destination. When the transit is done through the airways, Airway Bill is issued instead of the bill of lading.

4. **Marine insurance policy:** Marine insurance policy is a certificate issued by an insurance company as a promise to indemnify any loss of the insured goods in case of transit-related tragedies.

2. Documents related to payment

1. **Letter of credit:** A letter of credit is a guarantee given by the importer's bank that in case of non-payment by an importer, the bank shall pay a certain amount of export bill to the exporter's bank on the behalf of the importer.

2. **Bill of exchange:** Bill of exchange is a financial instrument drawn by an exporter in the name of the importer for demanding a payment related to the export consignment. The exporter's bank transfers the necessary documents to the importer only after acceptance of a bill of exchange.

3. **Bank certificate of payment:** Bank certificate of payment is a certificate to ensure that the important documents related to a particular export consignment have been transferred to the importer and the payment has been received.

Documents used in an Import Transaction

1. **Proforma Invoice:** Is a document that contains details as to the quality, grade, design, size, weight price and so on, of the export product.

2. **Import order or Indent:** It is a document in which the importer orders for supply of requisite goods to the exporter.

3. **Shipment advice:** The exporter sends shipment advice to the importer for informing him that the shipment of goods has been made. It contains invoice number bill of lading/ airways bill number & date, name of the vessel with date, the port of export, description of goods & quantity & the date of sailing of the vessel.

4. **Bill of Lading:** It is prepared & signed by the master of the ship acknowledging the receipt of goods on board, it contains terms & conditions on which the goods are to be taken to the port of destination.

5. **Bill of entry -** It is a form supplied by the customs office to the importer containing information such as name, the address of the importer, name of the ship, no. of packages, description of goods, name, the address of exporter, port of destinations, customs duty payable.

6. **Letter of Credit**: It is document that contains a guarantee from the importer bank to the exporter is bank that it is undertaking to honour the payment up to a certain amount of the bills issued by the exporters for exports of the goods to the importer.

DOCUMENTS USED IN INTERNATIONAL TRADE:

1. **Import order or Indent:** Discussed above.
2. **Letter of credit:** Discussed above.
3. **Shipping Bill:** Discussed above.
4. **Mate's Receipt:** This receipt is issued by the captain or mate of the ship to the exporter after the goods are loaded on board of the ship. It contains name of the vessel, description of packages, marks, conditions of the cargo at the time of receipt on

board the ship etc.

a. Document against Acceptance D/A: D/A payment term in export is an arrangement where the buyer is required to make the payment only after a specific duration. In this mode, the buyer accepts the time draft and makes a promise to pay. Once this acceptance is received, the bank can release the documents to the buyer

b. Documents against Payment D/P: Collection terms of payment that require the drawee to pay a draft prior to receiving the accompanying documents. Typically, such collections include a document that restricts possession or ownership, thereby forcing the drawee to honour the draft in order to obtain the relevant goods.

World Trade Organization (WTO):

It came into existence on 1st January 1995.The headquarters of WTO is situated at Geneva, Switzerland. It is concerned with solving trade problems between countries and providing a forum for multilateral trade negotiations.

Objectives of WTO:

I) To reduce the trade tariffs and barriers imported by different countries

II) To improve the standard of living, create employment, increase income and effective demand and facilitate higher production and trade.

III) To maintain sustainable development by optionally using the world's resources.

(iv) To promote an integrated, more viable and durable trading system among nations.

Important Terms Used in External Trade:

1. **Free on Board (FOB):-** Freight is paid by importer and he only bears all the risks.
2. **Cost and Freight (C&F):-** Under this, freight is paid by the exporter and he bears the risk till goods reach the importer’s country.
3. **Cost, Insurance and Freight (CI&F):-** Under this policy, the exporter bears freight charges and cost along with marine insurance policy.

Multiple Choice Questions

1. The main reason for international trade is: -

a) Equal resource distribution b) Unequal resource distribution
c) Cultural similarity d) Political unity

2. Which one of the following is not a part of export documents?

(a) Commercial invoice (b) Certificate of origin
(c) Bill of entry (d) Mate’s receipt

3. Pre-shipment Inspection is not compulsory for:

(a) Export Houses (b) 100%ExportOrientedUnits
(c) Star Trading Houses (d) All of these

4. International Trade refers to:

a) Trade within the boundaries of a country b) Trade between two or more countries
c) Trade only in agricultural goods d) Trade only in manufactured goods

5. Which of the following is **not a feature of international trade**?

a) Involves exchange of goods and services across nations
b) Requires foreign currency
c) Restricted to domestic boundaries
d) Subject to government regulations

6. Export Trade means:

a) Selling goods to domestic consumers
b) Selling goods to foreign buyers
c) Buying goods from foreign sellers
d) Selling goods to wholesalers

7. Import Trade refers to:

a) Selling goods abroad
b) Buying goods from foreign countries
c) Selling goods within the country
d) Manufacturing goods for domestic use

8. Entrepot Trade is:

a) Importing goods for domestic consumption
b) Exporting goods directly to consumers
c) Importing goods and re-exporting them to other countries
d) Selling goods in wholesale markets

9. Which of the following is a **barrier to international trade**?

a) Tariffs and quotas
b) Free trade agreements
c) Globalization
d) Technological advancement

10. **World Trade Organization (WTO)** was established to:

a) Promote domestic trade
b) Regulate and promote free international trade
c) Control only agricultural trade
d) Restrict imports.

Ans:-

Q No.	1	2	3	4	5	6	7	8	9	10
Ans.	**(b)**	**(c)**	**(d)**	**(b)**	**(c)**	**(b)**	**(b)**	**(c)**	**(a)**	**(b)**

ASSERTION REASONING QUESTIONS: -

Answer the following Question from the options given below:

Options:

a) Both A and R are true, and R is the correct explanation of A.
b) Both A and R are true, but R is not the correct explanation of A.
c) A is true, but R is false.
d) A is false, but R is true.

Question 1.

Assertion (A):- Though, WTO is a successor to GATT, it is much more powerful body than GATT

Reason (R):- It governs trade not only in goods, but also in services & intellectual property rights.

Question 2.

Assertion (A):- International Business can be more profitable than domestic business

Reason (R):- When domestic prices are lower, business firms can earn more profits by selling their products in countries where prices are high.

Question 3.

Assertion (A): Letter of Credit is the most appropriate and secures method of payment to settle international transactions.

Reason (R): Letter of credit is a guarantee issued by the exporter's Bank.

Question 4

Assertion (A): International trade is considered an indicator of a country's economic development.

Reason (R): Developed countries generally participate more actively in global trade.

Question 5

Assertion (A): International trade promotes specialization among nations.

Reason (R): Countries tend to produce goods in which they have a comparative advantage..

Answers:-

Q.NO	1	2	3	4	5
ANS	A	A	C	A	A

Cases Studies

1) Prateek wants to export auto spare parts to Mr. Dev in Switzerland. Mr. Dev has asked for an enquiry to seek information about availability of goods, price, quality and terms and conditions for export of goods. In response to the enquiry, Pradeep sends a reply in the form of Proforma Invoice. Mr. Dev found the price and terms and conditions acceptable. So, he placed the order for goods. After verifying the credit worthiness of Mr. Dev, Pradeep obtains an export license and arranges the pre-shipment finance. On the basis of given case study, state the next steps to be followed by Prateek related to the procedure of export trade.

2) Surbhi runs a handicrafts business in Rajasthan. She recently received an order from a buyer in France. She completed all the documentation, packed the goods properly, and sent them to the port for shipment. She also applied for an export license and got an insurance policy for the goods.

i). What kind of trade is Surbhi involved in?

ii). Name any two documents she would require for the export procedure.

iii). Why did Surbhi take an insurance policy?

iv). Mention one advantage of international trade for Surbhi.

v) Name the mode of entry into international business used by Surbhi.

3) Kiran is an importer of electronic gadgets in India. She places an order with a Chinese supplier for 100 mobile phones. Before the goods arrive, she ensures to obtain an import license, arranges for foreign exchange, and clears the goods through customs on arrival.

i) What type of trade is Kiran involved in?

ii) Name the first step in the import procedure.

iii) Why is foreign exchange needed for imports?

iv) Name any two documents required during the import procedure.

v) Who inspects the goods at the port?

Ans:-1. The next steps to be followed by Prateek in the export trade are:

1.	Production or Procurement of Goods	2.	Pre-shipment Inspection
3.	Excise Clearance	4.	Obtaining Certificate of Origin
5.	Reservation of Shipping Space	6.	Packing and Forwarding
7.	Insurance of Goods	8.	Customs Clearance
9.	Obtaining Mate's Receipt	10.	Payment of Freight and Issuance
11.	Preparation of Invoice	12.	Securing Payment.

2. Ans:- i). Surbhi is involved in international trade /export trade.

ii). Export documents: Bill of Lading, Certificate of Origin.
iii). to cover the risk of damage or loss of goods during transit.
iv) . Expansion of market and better prices for her handicrafts.
v). Direct Exporting.

3. Ans: i) Import trade
ii) Trade enquiry or obtaining an import license
iii) To make payments in foreign currency to the supplier.
iv) Bill of Entry, Import License
v). Customs authorities.

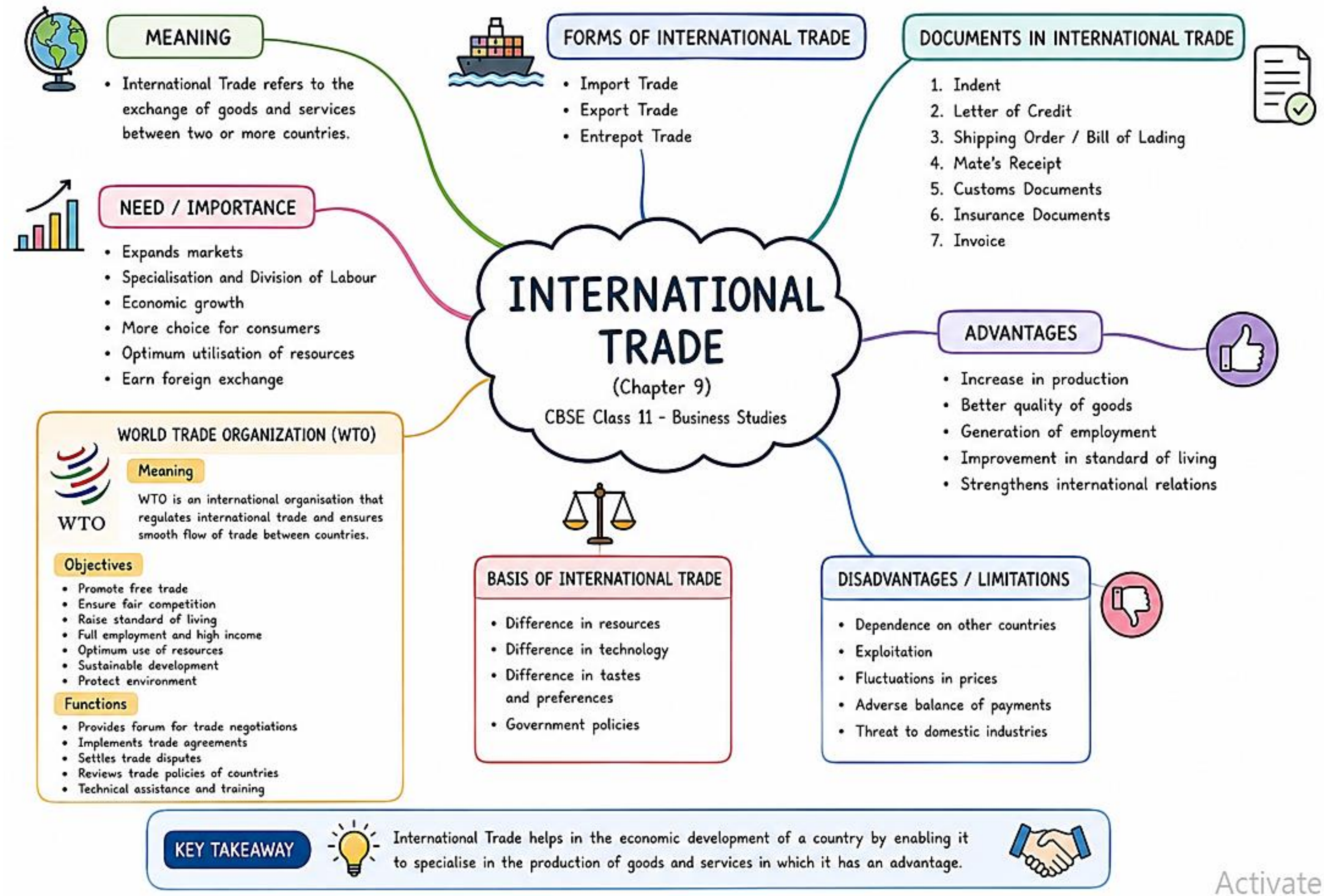
Long Answer Type Questions: -

1. International business is beneficial to both “nation” and “business firms”. Justify the statement by giving reasons.

Ans:- Importance of International Trade

2. Mention the main functions of World Trade Organization.

Ans:- Various functions of WTO.


INTERNATIONAL TRADE
(Chapter 9)
CBSE Class 11 - Business Studies
MEANING
• International Trade refers to the exchange of goods and services between two or more countries.
NEED / IMPORTANCE
• Expands markets
• Specialisation and Division of Labour
• Economic growth
• More choice for consumers
• Optimum utilisation of resources
• Earn foreign exchange
FORMS OF INTERNATIONAL TRADE
• Import Trade
• Export Trade
• Entrepot Trade
DOCUMENTS IN INTERNATIONAL TRADE
1. Indent
2. Letter of Credit
3. Shipping Order / Bill of Lading
4. Mate's Receipt
5. Customs Documents
6. Insurance Documents
7. Invoice
ADVANTAGES
• Increase in production
• Better quality of goods
• Generation of employment
• Improvement in standard of living
• Strengthens international relations
WORLD TRADE ORGANIZATION (WTO)
WTO
Meaning
WTO is an international organisation that regulates international trade and ensures smooth flow of trade between countries.
Objectives
• Promote free trade
• Ensure fair competition
• Raise standard of living
• Full employment and high income
• Optimum use of resources
• Sustainable development
• Protect environment
Functions
• Provides forum for trade negotiations
• Implements trade agreements
• Settles trade disputes
• Reviews trade policies of countries
• Technical assistance and training
BASIS OF INTERNATIONAL TRADE
• Difference in resources
• Difference in technology
• Difference in tastes and preferences
• Government policies
DISADVANTAGES / LIMITATIONS
• Dependence on other countries
• Exploitation
• Fluctuations in prices
• Adverse balance of payments
• Threat to domestic industries
KEY TAKEAWAY
International Trade helps in the economic development of a country by enabling it to specialise in the production of goods and services in which it has an advantage.

PRACTICE PAPER - 1

SUBJECT: BUSINESS STUDIES (054)

M.M.:80 **CLASS: XI** **TIME: 3 HOURS**

GENERAL INSTRUCTIONS:

(i) This question paper contains 34 questions.

(ii) Marks are indicated against each question.

(iii) Answers to questions carrying 3 marks may be from 50 to 75 words.

(iv) Answers to questions carrying 4 marks may be about 150 words.

(v) Answers to questions carrying 6 marks may be about 200 words.

(vi) Attempt all parts of the questions together.

Q.N	QUESTIONS	M
1.	Aman sold his old laptop to a neighbor for ₹15,000. A month later, he sold his old bicycle to another person and used the money to purchase a smartphone. Is Aman engaged in a business activity? (a) Yes, because he is selling goods. (b) Yes, because he is receiving money. (c) No, because these transactions are not carried out regularly. (d) No, because he is selling used goods.	1
2	Which one of the following does not describes the importance of entrepreneurship:- (a) Innovation (b) Number of new start-ups (c) Job creation and employment (d) Bureaucracy	1
3.	**Assertion (A):** A Government Company is not required to be registered under the Companies Act, 2013. **Reason (R):** The government holds 51% or more of the paid-up capital in a Government Company. (a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is NOT the correct explanation of A. (c) A is true but R is false. (d) A is false but R is true.	1
4	Mr. Sharma wants to open a bank account for his business 'Sharma Textiles'. He wants an account that allows unlimited number of transactions daily and offers an overdraft facility. However, this account will not earn him any interest. Identify the type of bank account Mr. Sharma should open. (a) Savings Deposit A/c (b) Recurring Deposit A/c (c) Current Deposit A/c (d) Fixed Deposit A/c	1
5	E-commerce primarily deals with electronic transactions between a business and external parties. Which of the following does not fall under e-commerce? (a) Online purchase of raw materials from vendors. (b) Electronic payment made by customers. (c) Coordination among departments through internal paperwork. (d) Online booking of services by consumers.	1
6.	Which of the following is an argument against Social Responsibility? (a) Justification for existence and growth (b) Violation of profit maximization objective (c) Availability of resources with business (d) Holding business responsible for social problems	1

7	It is an unsecured borrowing by company or corporate body from another company or corporate body registered under the Companies Act. Identify the source of borrowed fund highlighted above: (a) Debentures (b) Public Deposits (c) Equity Shares (d) Inter corporate deposit.	1
8.	Arrange the following steps of the 'Promotion Stage' of a company in correct sequence: i. Appointment of Professionals ii. Identification of Business Opportunity iii. Preparation of Necessary Documents iv. Name Approval (a) ii, iv, i, iii (b) ii, i, iv, iii (c) iv, ii, iii, I (d) i, ii, iii, iv	1
9.	**Assertion (A):** Small Scale Industries (SSIs) are labour intensive & capital saving. **Reason (R):** SSIs use simple technology & depend on locally available resources. (a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is NOT the correct explanation of A. (c) A is true but R is false. (d) A is false but R is true.	1
10.	The Government of India promotes new business ventures by providing various facilities under the Startup India Scheme. These facilities include: (a) Easier registration procedures (b) Tax benefits for startups (c) Relaxation in inspections and compliance requirements (d) All of the above	1
11.	**Statement I:** Wholesalers sell goods in small quantities to consumers. **Statement II:** Retailers are the link between wholesalers and consumers. (a) Both statements are true. (b) Both statements are false. (c) Statement I is true, Statement II is false. (d) Statement I is false, Statement II is true.	1
12.	**Statement I:** A Bill of Lading is a document of title to goods. **Statement II:** A Bill of Lading is issued by the Captain of the ship when goods are loaded. (a) Both statements are true. (b) Both statements are false. (c) Statement I is true, Statement II is false. (d) Statement I is false, Statement II is true.	1
13.	Identify the correct statement regarding 'GST': (a) It is a direct tax imposed on income. (b) It is a destination-based tax on consumption of goods and services. (c) It is collected by the State Government only. (d) It has increased the cascading effect of taxes.	1
14.	**Assertion (A):** Statutory Corporations have the power of the government and the considerable amount of operating flexibility of private enterprises. **Reason (R):** They are formed by a Special Act of Parliament which defines their powers and privileges. (a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is NOT the correct explanation of A. (c) A is true but R is false. (d) A is false but R is true.	1
15.	"Fresh Mart" has established 100 retail outlets in various cities. All outlets offer	1

<table>
<tr><td></td><td>standardized products, maintain similar interiors, and follow a common pricing policy.
This type of retail business is known as:
(a) Super Market (b) Departmental Store
(c) Chain Store (Multiple Shop) (d) Hawker</td><td></td></tr>
<tr><td>16.</td><td>Identify the telecom services shown in the picture given below.

(a) DTH services
(b) Cellular Mobile Services.
(c) Very Small Aperture Terminal (VSAT) Services
(d) Dream to home Services</td><td>1</td></tr>
<tr><td>17.</td><td>Match the 'Form of Organization' in Column I with its 'Distinctive Feature' in Column II:
<table>
<tr><th>Column I</th><th>Column II:</th></tr>
<tr><td>A) Sole Proprietorship</td><td>I) Separate Legal Entity</td></tr>
<tr><td>B) Partnership</td><td>ii) Mutual Agency</td></tr>
<tr><td>C) Joint Stock Company</td><td>III) Unlimited liability of Karta</td></tr>
<tr><td>D) HUF</td><td>IV) Quick decision making</td></tr>
</table>
Option:
(a) A-iv, B-ii, C-i, D-iii (b) A-iv, B-iii, C-ii, D-i
(c) A-i, B-ii, C-iv, D-iii (d) A-ii, B-iv, C-i, D-iii</td><td>1</td></tr>
<tr><td>18</td><td>Which of the preferential right is enjoyed by the Preference Shareholders over Equity Shareholders?
i. Right to receive fixed rate of dividend before any dividend paid to the equity shareholders.
ii. Right to receive repayment of capital on winding up of the company, before the capital of the equity shareholders is returned.
Choose the correct option:
(a) Only (i) (b) Only (ii) (c) Both (i) and (ii) (d) None of these</td><td>1</td></tr>
<tr><td>19</td><td>Statement I: Public deposits are secured deposits from the public.
Statement II: Public deposits can be used only for long term requirements.
(a) Statement I is Correct and II is Incorrect
(b) Statement I is Incorrect and II is Correct
(c) Both are Correct
(d) Both are Incorrect</td><td>1</td></tr>
<tr><td>20</td><td>Neha launched a unit for manufacturing eco-friendly furniture. The investment made in plant and machinery amounted to ₹15 crore.
Which type of enterprise has she established?
(a) Small Enterprise (b) Medium Enterprise
(c) Micro Enterprise (d) None of these</td><td>1</td></tr>
<tr><td>21.</td><td>Define "Business Risk". State any two causes of business risk.
OR
Explain "Cooperative Society". State one merit and one limitation of it.</td><td>3</td></tr>
<tr><td>22.</td><td>Read the following case study and answer the questions that follow:
"GreenScape Organics Ltd." is a successful company producing eco-friendly packaging materials. Over the last three years, the company has generated substantial net profits due to the rising demand for sustainable products.</td><td>3</td></tr>
</table>

	The Board of Directors is planning to set up a new manufacturing unit in Gujarat to increase production capacity. The Finance Manager, Mr. Das, advised against taking a bank loan to avoid the burden of fixed interest charges. Instead, he proposed that the company should retain a major portion of the current year's net profit and combine it with the undistributed profits from previous years to fund the expansion. The shareholders agreed to this proposal, accepting a lower dividend this year in exchange for the prospect of higher share prices and growth in the future. (a) Identify and explain the source of business finance proposed by Mr. Das. (b) Why is this specific source of finance technically referred to as "Self-Financing"?	
23.	Arjun prefers shopping at "Grand Emporium," a massive establishment located in the heart of the city's busiest commercial district. He likes it because he can buy everything—from groceries and electronics to footwear and furniture—under one roof. However, he notices that the prices there are often higher due to the luxurious atmosphere and personalized services provided to customers. (a) Identify the type of retail outlet being described in the given case. (b) State two features of the type of retail outlet as identified in part (a) of the question.	3
24.	Explain the social responsibility of Business towards Employees OR Explain the social responsibility of Business towards consumers.	3
25.	Profit is not the sole objective of business." Do you agree? Explain any three objectives of business other than profit.	4
26.	Smart Style is a growing fashion start-up that offers clothing and accessories through its website and mobile application. Rather than opening physical stores, the company allows customers to browse products, compare prices, read ratings and reviews, and make purchases online at any time. Smart Style promotes its products through social media campaigns and personalized online advertisements. By operating digitally, the company has reduced expenses related to rent, inventory handling, and staffing while serving customers across the country. Answer the following questions based on the above case: (a) State any two advantages of e-business enjoyed by Smart Style. (b) Explain how e-business helps in reducing the cost of operations compared to traditional business methods. (c) Identify one scope area of e-business highlighted in the case.	4
27.	State any four features of departmental undertaking. OR State any four features of a multinational company.	4
28.	"Paying attention to values and ethics in recruiting and hiring: emphasising corporate ethics in training; auditing performance regularly to analyse the degree of compliance and instituting communication systems to help employees report incidents of unethical behavior." (a) Which of the elements of business ethics is highlighted above? (b) state any three element of Business ethics, apart from the one identified in part-a.	4
29.	(A) Describe the role of Small Business in rural India. OR	4

	(B) Explain any two types of Intellectual Property Rights (IPR).	
30.	Wholesaling is concerned with the activities of those persons or establishments which sell to retailers and other merchants, and/ or to industrial, institutional and commercial users but who do not sell in significant amount to ultimate consumers. Wholesalers serve as an important link between manufacturers and retailers. They enable the producers not only to reach large number of buyers spread over a wide geographical area, but also to perform a variety of functions in the process of distribution of goods and services. They generally take the title of the goods and bear the business risks by purchasing and selling the goods in their own name. They purchase in bulk and sell in small lots to retailers or industrial users. Identify and explain the services of wholesalers to retailers.	4
31.	Explain the procedure for export trade from the stage of "Receipt of Enquiry" to "Production or Procurement of Goods". OR Explain the procedure for import trade from the stage of "Trade Enquiry" to "Arrangement for Finance"	6
32.	"Solaris Power Ltd." is planning a major expansion of its solar panel manufacturing plant and requires an investment of ₹50 crores. To raise this capital, the Board of Directors is evaluating two distinct types of ownership securities: 1. Security X: The finance manager highlights that issuing this security will not impose a fixed financial burden on the company. However, the investors in this security will enjoy voting rights and participate in the management of the company. They take the maximum risk but also enjoy the residual profits. 2. Security Y: The investors in this security will receive a fixed rate of dividend and will have a preferential right over "Security X" regarding the repayment of capital in case of winding up. However, these investors generally do not enjoy voting rights. Based on the scenario above, identify Security X and Security Y. Differentiate between them on the following bases: (i) Payment of Dividend (ii) Voting Right (iii) Risk (iv) Refund of Capital (v) Rate of Dividend (vi) Arrears of Dividend	6
33.	Jeevan insurance his property worth. 10 crores with two insurers 'AIG Ltd." and "'MetLife Ltd 6 crore and 4 crores, respectively. Due to an earthquake, the actual damage caused to jeevan property is worth 3 crore. He filed a claim for 3 crores against each of the insurance companies. (a) Identify and explain the principle of insurance which has been violated the above case (b) Explain any Three other principles of Insurance, other than the one identified in part (a)	6
34.	"ABC Ltd. is a registered business organization that has its own legal identity. It continues to exist despite changes in its members and conducts business through its directors." (a) Name the form of business organization represented by ABC Ltd. (b) Describe any five features of this form of business organization	6

PRACTICE PAPER - 2
SUBJECT: BUSINESS STUDIES (054)

M.M.:80 **CLASS: XI** **TIME: 3 HOURS**

GENERAL INSTRUCTIONS:
(i) This question paper contains 34 questions.
(ii) Marks are indicated against each question.
(iii) Answers to questions carrying 3 marks may be from 50 to 75 words.
(iv) Answers to questions carrying 4 marks may be about 150 words.
(v) Answers to questions carrying 6 marks may be about 200 words.
(vi) Attempt all parts of the questions together.

Q.N	QUESTIONS	M
1.	Mario mart Ltd. is an online grocery delivery startup. To protect its massive inventory stored in central warehouses from unforeseen risks like fire or theft, the company pays a monthly premium to Safeguard Insurance Co. Additionally, to manage daily cash flows, make vendor payments, and secure short-term loans, Mario mart maintains a current account with National Bank. What specific type of utility or protection is Mario mart Ltd. addressing by partnering with Safeguard Insurance Co.? a) Hindrance of Place b) Hindrance of Knowledge c) Hindrance of Risk d) Hindrance of Time	1
2	Which of the following does not describe the role of Small Business in India? (a) Generation of Employment (b) Mobilization of Local Resources (c) Monopoly in Market (d) Balanced Regional Development	1
3.	Assertion (A): Departmental Undertakings are most suitable for operations where secrecy is of utmost importance, like defense. Reason (R): They are directly under the control of the concerned Ministry and funded by the government treasury. a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is NOT the correct explanation of A. (c) A is true but R is false. (d) A is false but R is true	1
4	"Mr. Raj wants to avoid the risk of carrying cash. He wants a facility where he can issue a cheque to pay his creditors directly from his bank account, even if the balance is temporarily insufficient (up to a limit)." Identify the type of bank account/facility Mr. Raj needs. (a) Fixed Deposit Account (b) Recurring Deposit Account (c) Current Account with Overdraft (d) Savings Account	1
5	MVP Ltd. manufactures premium laptops. To assemble these laptops, the company uses an online electronic portal to invite bids and buy microprocessors in bulk from various global chip suppliers. Once the laptops are manufactured, MVP sells them directly to individual students and working professionals through its official e-commerce website. Which two distinct types of e-business transactions are being executed by MVP Ltd.? a) B2C followed by C2C b) B2B followed by B2C c) Intra-B followed by B2C d) B2B followed by Intra-B	1
6.	Which of the following is an argument in favour of Social Responsibility?	1

	(a) Violation of profit maximisation objective (b) Burden on consumers (c) Long-term interest of the business (d) Lack of social skills	
7	It is a financial instrument acknowledging a debt, issued under the common seal of the company. It carries a fixed rate of interest. Identify the source: (a) Equity Shares (b) Debentures (c) Trade Credit (d) Retained Earnings	1
8.	**Assertion** (**A**): Industries are classified into primary, secondary, and tertiary. **Reason** (**R**): This classification is based on the type of goods produced. (a) Both A and R are true, and R is the correct explanation of A. (b) Both A and R are true, but R is not the correct explanation of A. (c) A is true, but R is false. (d) A is false, but R is true.	1
9.	**Assertion (A)**: Cottage industries are generally family-run businesses using simple tools. **Reason (R)**: They require high capital investment and imported technology. (a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is NOT the correct explanation of A. (c) A is true but R is false. (d) A is false but R is true.	1
10.	Benu Electronics has been highly profitable for the past five years. Instead of distributing all the profits to its shareholders as dividends, the board of directors decides to keep 40% of the net earnings within the company. This accumulated money is later used to finance an automated assembly line, completely avoiding the need to pay interest to banks or issue new shares to the public. What internal source of finance has Benu Electronics utilized in this scenario? a) Trade Credit b) Retained Earnings c) Public Deposits d) Factoring	1
11.	Statement I: A Departmental Store offers a wide variety of products under one roof. Statement II: A Chain Store (Multiple Shop) specializes in one line of product in multiple locations. (a) Both statements are true. (b) Both statements are false. (c) Statement I is true, Statement II is false. (d) Statement I is false, Statement II is true.	1
12.	**Statement** I: Certificate of Origin is needed to avail concessional customs duty. **Statement** II: It is issued by the importer's country. (a) Both statements are true. (b) Both statements are false. (c) Statement I is true, Statement II is false. (d) Statement I is false, Statement II is true.	1
13.	Identify the correct statement regarding 'International Business': (a) It involves only the export of goods. (b) It is less complex than domestic business. (c) It involves transactions between two or more countries. (d) It does not require currency exchange.	1
14.	**Assertion** (A): A Government Company allows for private participation in shareholding. **Reason** (R): The government must hold at least 51% of the shares in a Government Company. (a) Both A and R are true and R is the correct explanation of A. (b) Both A and R are true but R is NOT the correct explanation of A. (c) A is true but R is false. (d) A is false but R is true.	1

15. 

Which form of internal retailer is shown in this picture.
a) Itinerant retailer
b) Chain store
c) Hawker
d) Departmental store

(1)

16. Identify the types of bank shown in the picture given below.

SBI
The banker to every Indian

(a) Public sector bank
(b) Private sector bank
(c) Government bank
(d) Co-operative bank

(1)

17. Match the 'Partner Type' in Column I with 'Feature' in Column II:

Column I	**Column II**
(A) Active Partner	(i) Limited Liability
(B) Sleeping Partner	(ii) Participates in management
(C) Partner by Estoppel	(iii) Liability is unlimited
(D) Minor Partner	(iv) Does not participate in management

Option:
(a) A-ii, B-iv, C-iii, D-I (b) A-i, B-ii, C-iii, D-iv
(c) A-iv, B-i, C-ii, D-iii (d) A-iii, B-iv, C-i, D-ii

(1)

18 Which of the following rights is enjoyed by Equity Shareholders?
i. Right to vote in the management.
ii. Right to receive dividend even if there is no profit.
Choose the correct option:
(a) Only (i) (b) Only (ii) (c) Both (i) and (ii) (d) None of these

(1)

19 Statement I: Retained Earnings is a permanent source of funds.
Statement II: It involves explicit cost in the form of interest.
(a) Statement I is Correct and II is Incorrect
(b) Statement I is Incorrect and II is Correct
(c) Both are Correct (d) Both are Incorrect

(1)

20 Aman runs a large garment retail showroom. Ahead of the festive season, he needs to stock up on inventory worth ₹10 Lakhs. He approaches his regular textile supplier in Surat. Recognizing Aman's strong credit history, the supplier delivers the textiles immediately and allows Aman a period of 60 days to clear the bill. This allows Aman to sell the garments to consumers first and clear the supplier's payment using the sales revenue.
Identify the short-term source of finance utilized by Aman to fund his festive inventory.
a) Commercial Paper b) Factoring c) Trade Credit d) Lease Financing

(1)

21. Define "Employment". State any two characteristics of it.

OR

Explain "Partnership". State one merit and one limitation of it

(3)

22. "AutoTech Ltd." requires funds for expansion. The Board of Directors wants to raise funds without diluting the control of existing shareholders. The Finance

(3)

	Manager suggests a source that does not create any charge on the assets of the company but has a fixed maturity period. (a) Identify and explain the source of finance suggested (b) State one merit of this source over Equity Shares	
23.	"Shoppers Paradise" is a retail outlet where customers can pick up goods from open shelves, read the labels, and pay at the cash counter near the exit. It sells a wide variety of food and household items at low prices due to bulk buying and low operating costs (a) Identify the type of retail outlet. (b) State two features of this retail outlet.	3
24.	(A) Identify the type of fixed shop large retailers in the following cases: (i) Bata and Nirula's are the examples of this type of retailer. (ii) Pin to Plane is the motto of this retail store. (iii) This retailing is successful only when education is wide spread. **OR** (B) Any three Difference between Internal Trade and External Trade.	3
25.	After completing her studies, Surabhi started a small organic food company called "Good life products". As the business grew, she hired local workers, ensured fair wages, used eco-friendly packaging, and organized free health-awareness camps in nearby villages. She also invested in research to improve product quality and customer satisfaction. Although some of these activities increased costs, Surabhi believed that a business should not only earn profits but also contribute to society and protect the environment. Questions 1. What is the economic objective of business highlighted in the case? 2. Identify any two social objectives of business mentioned in the case.	4
26.	"Fashion Hub" started selling clothes through a website. They do not have any physical store. They use courier services to deliver goods and accept payments via Net Banking and Credit Cards. This has allowed them to reach customers in small towns where they could not open shops. (a) Mention two benefits of e-business Fashion Hub is enjoying. (b) How does this model help in Global Reach? (c) Identify the scope of e-business.	4
27.	(A) State any four features of a Government Company. **OR** (B) State any four features of Statutory Corporations	4
28.	"A business enterprise must respect the laws of the country and pay taxes honestly. It should not indulge in black-marketing or adulteration. This builds a positive image in the society." (a) Which element of business ethics/responsibility is highlighted? (b) State three arguments for Social Responsibility.	4
29.	(A) Explain the role of Small Scale Industries in "Employment Generation" and "Balanced Regional Development". **OR** (B) Describe four important subsidies offered by the government to Small Scale Enterprises?	4

30.	How will GST Benefit and Empower Citizens? Give any four points	4
31.	Explain the procedure for "Export" from 'Excise Clearance' to 'Securing Payment' **OR** Explain the procedure for "Import" from 'Placing Order' to 'Customs Clearance'	6
32.	"Build Well Constructions" needs ₹100 crores for a new project. 1. **Source** A: The CFO suggests issuing a security where the company gives a commitment to pay a fixed rate of interest every year for 10 years, and repay the principal at the end. These holders are creditors. 2. **Source** B: The CEO suggests issuing a security where the investors become part-owners. They will get a share of profit only if the company earns enough. Identify Source A and Source B. Differentiate between them on: (i) Nature of Status (ii) Return (iii) Risk (iv) Voting Rights	6
33.	Mr. X took a fire insurance policy for his factory for ₹ 50 Lakhs. A fire broke out, and he deliberately did not call the fire brigade, thinking he would get the full claim amount. The actual loss was ₹ 20 Lakhs. (a) Identify and explain the principle of insurance violated by Mr. X regarding his behavior during the fire. (b) Explain any three other principles of Insurance	6
34.	In a village of Udai**pur**, small dairy farmers were facing difficulties in selling their milk. Middlemen purchased milk at very low prices, leaving the farmers with little profit. To solve this problem, 50 dairy farmers came together and formed **"Udaipur Dairy Cooperative Society."** The society collected milk from all members and sold it directly to processing plants and consumers. Every member had an equal right to participate in decision-making, regardless of the amount of milk supplied. The society was registered under the Cooperative Societies Act and had its own legal identity. The liability of members was limited to the amount they had contributed. The main objective of the society was not to earn maximum profit but to improve the economic condition of its members. As a result, the farmers received better prices for their milk and their standard of living improved. 1. Identify the form of business organization discussed in the case. 2. Explain the feature of a cooperative society reflected in the statement.:- "50 dairy farmers came together and formed Udaipur Dairy Cooperative Society." 3. Which feature is highlighted by the statement:- "The society was registered under the Cooperative Societies Act and had its own legal identity." 4. Identify the feature reflected in the statement:- "The liability of members was limited to the amount they had contributed." 5. Which feature is highlighted by the statement:**-** "Every member had an equal right to participate in decision-making." 6. Which feature is reflected in the statement:**-** "The main objective of the society was not to earn maximum profit but to improve the economic condition of its members." **OR** Four friends – Neha, Vikram, Sanya, and Raj – start a garment business. Neha actively manages the shop and deals with customers daily. Vikram contributes capital but does not participate in day-to-day management.	6

	Sanya allows her name to be used as a partner, though she has not invested any money. Raj is a minor admitted to the benefits of partnership. 1. Identify the type of partner represented by each of the four friends. 2. Which partner has limited liability in this case? 3. Who can be held responsible for business debts even if they do not actively participate? 4. Explain one risk faced by the partner who only lends his name. 5. Why is the minor admitted only to the benefits of partnership?	

PRACTICE PAPER - 3
SUBJECT: BUSINESS STUDIES (054)

M.M.:80 **CLASS: XI** **TIME: 3 HOURS**

GENERAL INSTRUCTIONS:

(i) This question paper contains 34 questions.
(ii) Marks are indicated against each question.
(iii) Answers to questions carrying 3 marks may be from 50 to 75 words.
(iv) Answers to questions carrying 4 marks may be about 150 words.
(v) Answers to questions carrying 6 marks may be about 200 words.
(vi) Attempt all parts of the questions together.

Q. No	Questions	M
1	Which of the following is not true about the Public Private Partnership model? A) The private sector'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. B) The facility is financed and owned by the public sector. C) The key driver is the transfer of design and construction risk. D) PPP also includes NGOs and/or community-based organisations who are the stakeholders directly affected by the project.	1
2	Which of the following is not included in the range of services offered by e-banking? A) Automated Teller Machines (ATM) B) Bank Overdraft C) Digital cash D) Mobile wallet.	1
3	Mohit took a double insurance for his factory, both from company A for 1crore and from company B for Rs. 2 crore. A fire broke out in the factory and the amount of loss was estimated to be Rs.70,00,000. Which of the following statement will hold true in this case: A) The insured will have no right to recover more than the full amount of actual loss. B) If the full amount of actual loss is recovered from company A, then Mohit cannot claim anything from company B. C) If the full amount of actual loss is recovered from company B, then Mohit cannot claim anything from company A. D) All of the above.	1
4	Ritu runs a unit where iron ore is converted into steel sheets, which are later used by automobile companies. Ritu's unit is part of: (A) Primary industry B) Secondary industry – Manufacturing C) Secondary industry – Construction D) Tertiary industry	1
5	A customer's specifications may be routed through the dealers to the factory and fed into the manufacturing system for customised production. Identify the constituent of e-business being described in the given lines. A) C2C commerce. B) B2C commerce. C) Intra - B commerce. D) B2B commerce.	1

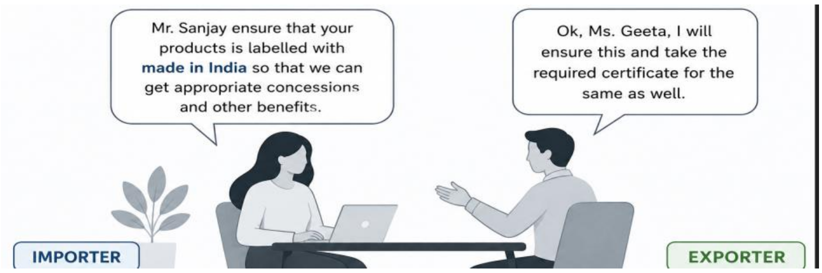
<table>
<tr><td>6</td><td>Match the columns and choose the correct alternative:

<table>
<tr><th>Column-I</th><th>Column-II</th></tr>
<tr><td>a) Mail</td><td>i. A service of a postal administration for sending books, garments, cell phones etc. through the post across the country as well as outside the country.</td></tr>
<tr><td>b) Registered Post</td><td>ii. The postal facility where the mail reaches the addressee as fast as possible.</td></tr>
<tr><td>c) Parcel</td><td>iii. A system of physically transporting documents and other small packages, as well as a term for the postcards, letters, etc. themselves.</td></tr>
<tr><td>d) Speed Post</td><td>iv. The postal facility where it is ensured that the mail is delivered to the addressee; otherwise it should come back to the sender.</td></tr>
</table>
A) a-i, b-iv, c- iii, d- ii (B) a-iii, b-ii, c-i, d-iv
B) a-ii, b-iv, c-i, d-iii (C) a-iii, b-iv, c- i, d-ii</td><td>1</td></tr>
<tr><td>7</td><td>Assertion (A): ‘Instituting communication systems to help employees report incidents of unethical behaviour’ is an example of business ethics.’
Reason (R): An ethical organisation tackles problems of personnel by establishment of compliance mechanisms.
Alternatives:
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 and 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.</td><td>1</td></tr>
<tr><td>8</td><td>Assertion: Bank credit is a permanent source of funds.
Reason: Banks have started extending loans for longer periods.
Alternatives:
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 and 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.</td><td>1</td></tr>
<tr><td>9</td><td>How does the MSME sector contribute to balanced regional development in India?
A) By concentrating industries in urban areas.
B) By promoting only high-tech industries.
C) By utilizing locally available resources and indigenous skills.
D) By focusing solely on export-oriented businesses.</td><td>1</td></tr>
<tr><td>10</td><td>Read the following statements carefully and choose the correct alternative from the following.
Statement 1: Import of goods and services is treated as inter-state supplies and would be subject to IGST under GST.
Statement 2: GST is a destination based consumption tax with facility of Input Tax Credit in the supply chain.
Alternatives:</td><td>1</td></tr>
</table>

	(A) Both the statements are true. (B) Both the statements are false. (C) Statement 1 is true and Statement 2 is false. (D) Statement 1 is false and Statement 2 is true.	
11	Which of the following is not a function of National Small Industries Corporation (NSIC): A) Export the products of small business units and develop export-worthiness. B) Supply indigenous and imported machines on easy hire-purchase terms. C) Providing training manuals for women entrepreneurs and training them. D) Mentoring and advisory services.	1
12	Which of the following is not true about Hundi and Chitties? A) Hundi means 'to collect' as written in the vernacular language. B) It is capable of change through transfer by valid negotiation. C) It warrants the payment of money, the promise or order which is conditional. D) Firman-jog is a type of Hundi as practised by Indian Merchant Communities.	1
13	As per the RBI guidelines, the minimum period of ICDs is _____ which can be extended to _____. (A) 7 days, 6 months. (B) 3 months, 1 year. (C) 7 days, 1 year. (D) 6 months, 1 year.	1
14	"These retailers are generally seen in areas having high populations like bus stands, railway stations etc. They deal in common use products, like newspapers, magazines, toys, stationery items etc." Identify the type of retailer: (A) Pavement vendors (B) Second hand shops (C) Market traders (D) General Stores.	1
15	The District Industries Centre was launched on _________, with a view to providing an integrated administrative framework at the district level. A) 1 August, 1978. B) 1 May, 1987. C) 1 April, 1955. D) 1 May, 1978.	1
16	Amrita uses her personal savings to start an online store. Which of the following sources is being used by Amrita to finance her start up ? A) Crowd funding B) Bootstrapping C) Venture capitalist D) Angel investors.	1
17	The Government of India wanting a unified market in order to ensure the smooth flow of goods across the country implemented the Goods and Services Tax (GST) from: A) 1st July, 2018 B) 1st April,2017 C) 1st July, 2017 D) 31st March, 2017.	1
18	"Paying attention to values and ethics in recruiting and hiring: emphasising corporate ethics in training; auditing performance regularly to analyse the degree of compliance and instituting communication systems to help employees report incidents of unethical behaviour." Which of the following elements of business ethics is highlighted above? A) Involving employees at all levels. B) Top management commitment. C) Publication of a 'Code'. D) Establishment of Compliance mechanisms	1
19	Which of the following is the objective of the World Trade Organization (WTO)? A) Reduce trade tariffs and barriers imposed by different countries in the smooth flow of international trade. B) Improve standard of living, create employment and facilitate higher production and trade. C) Maintain sustainable development by optimum utilisation of resources. D) All of the above.	1

20	Which of the following statements is not true about Public Deposits? (A) Companies generally invite public deposits for a period up to three years. (B) The acceptance of public deposits is regulated by the Reserve Bank of India. (C) Public deposits can take care of both medium and long -term financial requirements of a business. (D) The cost of public deposits to the company is less than the cost of borrowings from banks.	1
21	Problem: Plastic waste and pollution. Steps taken by Companies: Companies produce eco-friendly bags, reusable bottles, or recycling services. Result: Profitable green businesses. i) Identify and state the point of argument in favour of assumption of social responsibilities by a business, which is being highlighted above. ii) State two other points of arguments in favour of assumption of social responsibilities by a business.	3
22	Madhu Ltd. is a company manufacturing garments for children. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. It has many shareholders who prefer to receive a fixed & regular income. Mohan is one of such shareholders. Explain three features of shares held by Mohan.	3
23	(A) "FreshGo" operates 50 retail outlets across different cities. All the stores sell the same type of packaged food products at fixed prices. Explain three features of the fixed retail shop highlighted in the above lines. **OR** (B) Aman prefers shopping from a large store that satisfies diverse market segments with a wide variety of goods and services. Explain three features of the fixed retail shop highlighted in the above lines.	3
24	Explain any three benefits of international business to the nation. **OR** Name and explain the documents highlighted in the following 1. The unloading of cargo takes place on the basis of this document. 2.This document is the most appropriate and secure mode of payment to settle international transactions. 3. This receipt is given by the commanding officer of the ship to the exporter after the cargo is loaded on the ship.	3
25	Riya owns a small handmade jewellery business. Initially, she sold her products only through local exhibitions and word-of-mouth. Later, she created a website and listed her products on social media and e-commerce platforms. Now, customers from different states and even abroad can place orders online, make payments digitally, and get products delivered to their homes. Riya has seen a huge growth in her customer base and sales without setting up physical stores in other cities. Based on the case above, answer the following: a) What type of business model is Riya using now? b) State the benefits, highlighted in the above paragraph, that she is getting by using this business model.	4
26	"The members generally offer honorary services to the society. As the focus is on elimination of middlemen, this helps in reducing costs."	4

	i) State the merit of cooperative society discussed in the above lines. ii) Also, explain three other merits of co-operative society.	
27	Mr. Aman is an owner of a flat. He has bought a fire insurance policy for the flat. Later he sold the flat to Mr. Bhanu. Thereafter, a fire took place in the flat. i) Who will get compensation from the insurer? State the underlying principle of insurance in support of your answer. ii) State the relevance of this principle, with reference to life insurance, fire insurance and marine insurance.	4
28	Sarah and James are two university graduates who have developed a revolutionary water filtration system that can efficiently remove micro plastics from drinking water. They're excited about their invention and believe it could have a significant global impact. However, they're unsure about how to protect their invention and bring it to market. They've heard about intellectual property rights but are confused about which type of protection would be best for their situation. Their invention consists of: 1. A unique filtration mechanism (the core technology) 2. A sleek design for the filtration device 3. A catchy name and logo for their product 4. Proprietary software that controls the filtration process Analyze the different types of intellectual property rights that Sarah and James should consider for their water filtration system.	4
29	A. "Wholesalers enable the producers to undertake production on a large scale and take advantage of the economies of scale." i) Identify and state the service offered by the wholesaler to the producer as highlighted in the above lines. ii) State three other services offered by wholesalers to the producers. **OR** B. "On account of retailer's services, the manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities." i) Identify and state the service offered by the retailers to the producers and wholesalers as highlighted in the above lines. ii) State three other services offered by retailers to the producers and wholesalers.	4
30	Kavita and Surabhi are childhood friends who met after a long time. They were discussing their career. Kavita is a Chartered Accountant working in a government firm and she gets ₹ 1,00,000 p.m. She is planning to start her own practising firm , where she expects to earn ₹ 2,50,000 p.m. Surabhi is a leading importer and exporter of readymade garments, earning approximately ₹ 17,00,000 per month. i) State the type of economic activity that Surabhi is engaged in. ii) Will there be any change in the type of economic activity of Kavita by shifting from government firm to private practice? Specify the shift, if any. iii) What term is used for reward, which Kavita and Surabhi are presently earning and which Kavita expects to earn in her private practice? **OR** Anuradha runs a fast food outlet in one of the shopping malls in Faridabad. Over the years, her business has earned a good reputation and high profits. However, for the past month she has realised that her profit is declining. On introspection she identified two main reasons for the same. First, a new fast food joint has opened up in the mall and it is drawing a huge crowd. Second, one of her chief chefs has not been keeping good health.	4

	i) Identify and explain the causes of business risk mentioned in the given paragraph. ii) Also, explain other causes of business risk that have not been referred above	
31	Explain the following sources of finance : i) Trade credit. ii) Debentures iii) Retained Earnings.	6
32	(i) State document highlighted above. (ii) Explain the next five steps of the export procedure after getting the identified document.  	6
33	“These organisations are public enterprises brought into existence by a Special Act of the Parliament.” Explain the various features of the public sector organisation discussed in above lines **OR** This image shows one of the demerits which belongs to one of the organizations of the public sectors.   i) Identify the name of the organisation and the demerit highlighted in the above images. ii) State the other limitations of the organisation identified above.	6
34	Identify the documents described below and differentiate between them on five basis: (i) No company can legally undertake activities that are not contained in this document. (ii) It defines the duties rights and powers of the officers and board of directors.	6

PRACTICE PAPER - 1

MARKING SCHEME

Q.NO	ANSWERS	M
1.	(c) No, because there is no regularity in dealings.	1
2	(d) Bureaucracy	1
3.	(a) Both A and R are true and R is the correct explanation of A	1
4	(c) Current Deposit Account	1
5	**(c) Coordination among departments through internal paperwork**	1
6.	(b) Violation of profit maximisation objective	1
7	(d) Inter-corporate deposit	1
8.	(b) ii, i, iv, iii	1
9.	(a) Both A and R are true and R is the correct explanation of A.	1
10.	**(d) All of the above**	1
11.	(d) Statement I is false (Wholesalers sell in bulk), Statement II is true	1
12.	(c) Statement I is true, Statement II is false (Bill of Lading is issued by Shipping Company, not Captain; Captain issues Mate's Receipt)	1
13.	(b) It is a destination-based tax on consumption of goods and services.	1
14.	(a) Both A and R are true and R is the correct explanation of A	1
15.	**(c) Chain Store (Multiple Shop)**	1
16.	(a) DTH services	1
17.	(a) A-iv, B-ii, C-i, D-iii	1
18	(c) Both (i) and (ii)	1
19	(d) Both are Incorrect (Public deposits are unsecured and used for medium/short term).	1
20	**(b) Medium Enterprise**	1
21.	Business Risk: Refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events. (1 mark) Causes (Any 2): Natural causes (Flood), Human causes (Strike), Economic causes (Demand fluctuation). (1+1 marks) OR Cooperative Society: Voluntary association of persons who join together with the motive of welfare of the members. (1 mark) Merit: Democratic management / Limited liability. (1 mark) Limitation: Lack of secrecy / Inefficiency in management. (1 mark)	3
22.	(a) Source: Retained Earnings / Ploughing back of profits. (1/2 mark) Explanation: It is the portion of net earnings which is not distributed as dividend but saved for future use. (1 mark) (b) Self-Financing: It is called self-financing because the funds are generated internally from the company's own profits rather than borrowing from external sources. (1.5 marks)	3
23.	(a) Type: Departmental Store. (1 mark) (b) Features (Any 2): (2 marks) 1. Central location. 2. Provision of services (restrooms, restaurants). 3. Wide variety of goods under one roof.	3
24.	1. Providing fair compensation and benefits. 2. Providing good and safe working conditions. 3. Providing opportunities for personal growth and development. OR Towards Consumers (Any 3): 1. Supplying right quality of goods at reasonable prices. 2. Avoiding adulteration and unfair trade practices. 3. Handling consumer grievances honestly	3

25.	. Objectives other than Profit (Any 3): 1. Market Standing: Standing strong against competitors. 2. Innovation: Introduction of new ideas or methods. 3. Productivity: Efficient use of resources. 4. Social Responsibility: Contribution to society. (1 mark for agreement + 3 marks for points)	4
26.	(a) Any two: • 24×7 availability of services. • Wider market reach. • Greater customer convenience. • Faster communication with customers. (b) E-business reduces costs by eliminating the need for multiple physical stores, reducing paperwork, lowering staffing requirements, and minimizing operating expenses such as rent and utilities. (c) B2C (Business-to-Consumer) e-business, as the company is selling products directly to customers through an online platform.	4
27.	Features of Departmental Undertaking (Any 4): 1. Part of government ministry. 2. Financed from government treasury. 3. Employees are civil servants. 4. Accountable to the ministry/parliament. OR Features of MNC (Any 4): 1.Huge capital resources 2. International operations. 3.Centralized control. 4.Advanced technology.	4
28.	. (a) Element: Creating a Code of Conduct / HR Policies (Values and Ethics). (1 mark) (b) Other Elements (Any 3): (3 marks) 1. Top Management Commitment. 2. Establishment of Compliance Mechanisms. 3. Measuring Results. 4. Involving Employees at all levels.	4
29.	. (A) Role of Small Business in Rural India (Any 4): 1. Employment generation. 2. Improved economic condition. 3. Promotion of art and creativity. 4. Mobilization of local resources. OR (B) IPR Types (Any 2 explained): Patent, Copyright, Trademark, GI. (2+2 marks)	4
30. 31	Services of Wholesalers to Retailers (Any 4): 1. Availability of goods. 2. Grant of credit. 3.Risk sharing. 2. Specialized knowledge/market information. (1 mark each) **Export procedure** 1. Receipt of Enquiry The prospective buyer sends an enquiry to the exporter regarding the price, quality, quantity, terms of payment, and delivery conditions of the goods. 2. Sending Quotation or Proforma Invoice The exporter replies to the enquiry by sending a quotation or proforma invoice containing details about the product, price, terms of delivery, payment conditions, and validity period. 3. Receipt of Order or Indent If the importer accepts the quotation, an order is placed with the exporter specifying the quantity, quality, price, and other terms. 4. Assessing Importer's Creditworthiness and Securing Payment The exporter verifies the financial position of the importer through banks or trade references and ensures payment security, usually through a Letter of Credit (L/C).	4 6

	5. Obtaining Export Order and Export Licence (if required) The exporter obtains the confirmed export order and completes legal formalities such as obtaining an export licence, wherever necessary. 6. Production or Procurement of Goods After receiving the confirmed order, the exporter either manufactures the goods or procures them from suppliers according to the specifications given by the importer. OR Import procedure 1. Trade Enquiry The importer collects information from various foreign suppliers regarding the price, quality, terms of payment, and delivery conditions of goods. 2. Procurement of Import Licence Where required, the importer obtains an import licence from the appropriate authority to legally import the goods. 3. Obtaining Foreign Exchange The importer applies to a bank authorised by the Reserve Bank of India (RBI) to obtain the required foreign currency for making payment to the exporter. 4. Placing the Order or Indent After selecting the supplier, the importer places an order specifying details such as quantity, quality, price, and delivery schedule. 5. Obtaining Letter of Credit The importer requests the bank to issue a Letter of Credit in favour of the exporter, guaranteeing payment upon fulfilment of the agreed conditions. 6. Arrangement for Finance The importer makes arrangements for funds needed to pay for the imported goods, customs duties, freight charges, and other related expenses.	
32.	Identification: Security X = Equity Shares; Security Y = Preference Shares. (1+1 marks) Differences (Any 4): (4 marks) ● Dividend: Equity (Fluctuating); Preference (Fixed). ● Voting Rights: Equity (Yes); Preference (No). ● Risk: Equity (Primary risk bearer); Preference (Less risk). ● Refund: Equity (Last); Preference (Before equity).	6
33.	. (a) Principle: Principle of Indemnity (or Contribution). He cannot make a profit from insurance. He can only recover the actual loss. (1 mark for ID, 2 marks for explanation) (b) Other Principles (Any 3): Utmost Good Faith, Insurable Interest, Proximate Cause, Subrogation, Mitigation of Loss. (3 marks)	6
34.	(a) Company (b) Any five: 1. Separate Legal Entity 2. Artificial Person 3. Perpetual Succession 4. Limited Liability 5. Common Seal 6. Transferability of Shares 7. Separation of Ownership and Management (any five)	6

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PRACTICE PAPER – 2

MARKING SCHEME

QN	ANSWERS	M
1.	c) Hindrance of Risk	1
2	(c) Monopoly in Market (Small business prevents monopoly).	1
3.	(a) Both A and R are true and R is the correct explanation of A.	1
4	(c) Current Account with Overdraft	1
5	b) B2B followed by B2C	1
6.	(c) Long-term interest of the business	1
7	(b) Debentures.	1
8.	(a) Both A and R are true, and R is the correct explanation of A.	1
9.	(c) A is true but R is false (They use simple tech, not imported)	1
10	b) Retained Earnings	1
11	(d) Statement I is false (Dept Store = One roof) Statement II is true (Chain Store = Multiple locations).	1
12	(c) Statement I is true, Statement II is false (Cert of Origin is issued by Exporter's country chamber of commerce)	1
13	(c) It involves transactions between two or more countries.	1
14.	(a) Both A and R are true and R is the correct explanation of A.	1
15.	d) Departmental store	1
16.	a) Public sector bank	1
17.	(a) A-ii, B-iv, C-iii, D-i	1
18	(a) Only (i) (Voting rights)	1
19	(a) Statement I is Correct (Internal equity), II is Incorrect (No explicit interest).	1
20	c) Trade Credit	1
21.	Employment: Economic activity where people work for others in exchange for remuneration. (1 mark) Characteristics (Any 2): Contract of service, Qualification required, No capital required. (2 marks) **OR** Partnership: Relation between persons who have agreed to share profits of a business carried on by all or any of them acting for all. (1 mark) Merit: Easy formation / Balanced decision making. Limitation: Unlimited liability / Conflict	3
22.	(a) Source: Public Deposits. (1 mark) (b) Merits (Any 2): (2 marks) 1. No dilution of control (no voting rights). 2. No charge on assets (unsecured). 3. Cheaper than bank loans.	3
23.	(a) Type: Super Market (Self-service, low margin, wide variety of food/household). (1 mark) (b) Features: (2 marks) 1. Self-service principle. 2. Goods kept on open shelves. 3. Cash basis trade.	3
24.	Towards Government: Pay taxes honestly, follow laws, cooperate in solving social	3

	problems. (3 marks) **OR** Towards Shareholders: Return on investment (Dividend), Safety of investment, Transparent information. (3 marks)	
25.	Economic Objective: Earning profits through the sale of organic food products. Social Objectives: 1.Providing quality products to consumers. 2. Organizing health-awareness camps.	4
26.	(a) Benefits: Lower investment, Global reach, Customer convenience. (1 mark) (b) Global Reach: Internet has no boundaries; a website can be accessed from any country. (1.5 marks) (c) Scope: B2C (Business to Customer). (1.5 marks)	4
27.	Features of Government Company (Any 4): 1. Created under Companies Act. 2. Govt holds >51% shares. 3. Separate legal entity. 4. Employees are not civil servants. **OR** Statutory Corp (Any 4): 1. Created by Special Act. 2. Financially independent. 3. Service motive. 4.Not subject to govt budget accounting.	4
28.	(a) Element: Legal Compliance (Respecting laws). (1 mark) (b) Arguments for Social Responsibility (Any 3): (3 marks) 1. Public Image. 2. Avoidance of Govt Regulation. 3. Long term interest. 3. Moral Justification.	4
29.	(A) Role of SSI: • Employment: Labor intensive nature. • Regional Development: Can be set up anywhere, preventing migration to cities. (2+2 marks) **OR** (B) Any four important subsidies offered by the government to Small Scale Enterprises	4
30.	Reduction in overall tax burden No hidden taxes Development of a harmonised national market for goods and services Higher disposable income in hand, education and essential needs Customers to have wider choice Increased economic activity More employment opportunities	4
31.	Export Procedure (Excise to Payment): 1. Excise Clearance. 2. Obtaining Certificate of Origin. 3. Reservation of Shipping Space. 4. Packing and Forwarding. 5. Insurance of Goods. 6. Customs Clearance. (1 mark each) **OR** Import Procedure (Order to Customs): Placing Order (Indent).Letter of Credit., Arranging Finance. Receipt of Shipment Advice., Retirement of Import Documents. Customs Clearance.	6
32.	Identification: Source A = Debentures (Creditors, Fixed Interest); Source B = Equity Shares (Owners, Dividend). (1+1 marks) Differences (Any 4): • Status: Debentures (Creditors) vs Equity (Owners). • Return: Interest vs Dividend. • Risk: Debentures (Safe/Low risk for investor) vs Equity (High risk).	6

	• Voting: Debentures (No) vs Equity (Yes).	
33.	(a) Principle: Mitigation of Loss. It is the duty of the insured to take reasonable steps to minimize the loss/damage. He cannot just watch the fire. (3 marks) (b) Other Principles (Any 3): Subrogation, Contribution, Indemnity. (3 marks)	6
34.	**1:** Cooperative Society **2 : Voluntary Membership**: A cooperative society is formed voluntarily by persons who wish to work together for their common benefit. **3: Separate Legal Entity** A cooperative society has a legal existence separate from its members. **4: Limited Liability** Members are liable only up to the extent of their capital contribution. **5: Democratic Management** The affairs of a cooperative society are managed democratically on the principle of **"One Member, One Vote."** **6: Service Motive** The primary objective of a cooperative society is to serve its members rather than maximize profits. OR **1. Types of partners: (2 marks)** Neha → Active Partner (takes part in management). Vikram → Sleeping Partner (invests capital but does not manage). Sanya → Nominal Partner (lends her name without investment). Raj → Minor Partner (admitted to benefits only). **2. Limited liability: Raj (Minor Partner) –** his liability is limited to his share in the profits. **3. Responsible despite not participating**: Vikram (Sleeping Partner) **–** liable for debts as he has invested capital. **4. Risk for Nominal Partner**: Sanya may be held liable to outsiders for debts of the firm even though she has not invested or managed. **5. Reason for minor's admission to benefits only:** Law does not permit minors to enter into contracts; hence they cannot be full partners but can share profits.	6

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PRACTICE PAPER- 3
MARKING SCHEME

Ans	Answers	M
1	A- The private sector'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.	1
2	B- Bank Overdraft	1
3	D- All of the above	1
4	B-Secondary industry – Manufacturing	1
5	D- B2B commerce	1
6	D- a-iii, b-iv, c- i, d-ii	1
7	A- Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion (A).	1
8	D- Assertion (A) is False but Reason (R) is true.	1
9	C- By utilizing locally available resources and indigenous skills.	1
10	A - Both the statements are true.	1
11	C- Providing training manuals for women entrepreneurs and training them.	1
12	C - It warrants the payment of money, the promise or order which is conditional.	1
13	C - 7 days, 1 year	1
14	A- Pavement vendors	1
15	D - 1 May, 1978.	1
16	B - Bootstrapping	1
17	C - 1st July, 2017	1
18	D - Establishment of Compliance mechanisms	1
19	D - All of the above.	1
20	C - Public deposits can take care of both medium and long -term financial requirements of a business.	1
21	i) Converting problems into opportunities: Business with its glorious history of converting risky situations into profitable deals, can not only solve social problems but it can also make them effectively useful by accepting the challenge. ii)a)Justification for existence and growth, b) Long-term interest of the firm, c) Avoidance of government regulation, d) Maintenance of society, e) Availability of resources with business, f) Better environment for doing business, g) Holding business responsible for social problems (Any **two** with appropriate explanation)	1+2= 3
22	Three features of preference shares: (Any three)	3
23	A)Features of **Chain stores**: (**Any three**)	3

	i) These shops are located in fairly **populous localities**, where sufficient number of customers can be approached. The idea is to serve the customers at a point which is nearest to their residence or work place. ii) The manufacturing/procurement of merchandise for all the retail units is **centralised** at the head office, from where the goods are despatched to each of these shops according to their requirements. iii) Each retail shop is under the direct supervision of a Branch Manager, who is held responsible for its day-to-day management. OR A)Features of **department stores**: (**Any three)**	
24	The benefits of international business to the nations are: 1.Earning of foreign exchange: 2.More efficient use of resources: 3.Improving growth prospects & employment potentials 4. Increased standard of living: **OR** 1.Import general manifest: 2.Letter of credit: 3.Mate's receipt:	3
25	a) E- business model : It may be defined as the conduct of industry, trade and commerce using the computer networks. b) Benefits highlighted in the case: i. Convenience ii. Global reach iii. Lower cost of formation (**With appropriate explanation**)	(1+3) 4
26	i. Economy in operations: The customers or producers themselves are members of the society, and hence the risk of bad debts is lower. ii. Benefits of co-operative society: a. Equality in voting status, b.Limited liability: c. Stable existence d. Support from government e. Ease of formation (**Any three** with appropriate explanation).	4
27	i) **No one gets compensation** because insurance interest in the flat does not exist for Aman and Bhanu has not taken the insurance. The Principle of **insurable interest** states that The insured must have an interest in the preservation of the thing or life insured, so that he/she will suffer financially on the happening of the event against which he/she is insured. **In case of fire insurance, Insurable interest on the subject matter must be present both at the time of effecting policy as well as when the claim falls due.** **ii)**For Life Insurance: Insurable interest must be present at the time of effecting the policy but need not be necessary at the time when the claim falls due. For marine insurance: Insurable interest must be present at the time when claim falls due or at the time of loss only.	(2+2) =4
28	1. Patents: - Applicable to the unique filtration mechanism - Provides exclusive rights to prevent others from making, using, or selling the invention. 2. Designs: - Protects the appearance of the filtration device - Safeguards the product's visual appeal in the market 3. Trademarks: - Protects the product name and logo - Builds brand recognition and consumer trust 4. Copyright: - Applies to the proprietary software - Prevents unauthorized copying or distribution of the software	(1+1 +1+1)=4

29	(i) Facilitating large scale production: Wholesalers collect small orders from a number of retailers and pass on the pool of such orders to the manufacturers and make purchases in bulk quantities. (ii) Three other services: Bearing risk, Financial assistance, Expert advice, Help in marketing function, Facilitate production continuity, Storage.(**Any three with appropriate explanation**) **OR** i) Enabling large-scale operation: On account of retailer's services, the manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities. This enables them to operate on, at relatively large scale, and thereby fully concentrate on their other activities. ii) Help in distribution of goods, Personal selling, Collecting market information, Help in promotion(**Any three with appropriate explanation)**	1+3= 4
30	i) Surabhi is engaged in business. Business is an economic activity which people are regularly engage in production/ procurement and/or sale of goods and services with motive of earning profits. ii) Yes, earlier Kavita was an employee, now with private practice she is engaged in profession. iii) Presently Kavita is earning salary and Surabhi is earning profit as a reward.by private practice, she is expected to earn fees as a reward. **OR** i)Causes of risk as given in paragraph: a) Human cause b) Economic cause. (With appropriate explanation) ii) Two other causes of business risk: a) Natural causes b) Other causes: These are unforeseen events, like political disturbances, mechanical failures, such as the bursting of boiler, fluctuations in exchange rates, etc., which lead to the possibility of business risks.(With appropriate explanation)	(1.5+ 1+1. 5)=4 2+2= 4
31	i. **Trade credit**: ii. **Debentures**: iii. **Retained Earnings**:	6
32	**i. Certificate of origin:** 1. **Reservation of shipping space**: 2**. Packing and forwarding**: 3. **Insurance of goods:** 4. **Customs clearance**: 5. **Obtaining mates receipt**:	(1+5) =6
33	**A. Features of Statutory corporation**: (ANY SIX) **(1 marks for each point)** **OR** A. i. **Name of organisation: Departmental Undertaking; Demerit as shown in image: Red Tapism**. ii. Other limitations of Departmental Undertaking are: (ANY FIVE)	6
34	Documents as discussed in the lines are Memorandum of Association and Articles of association Difference on any five basis: i. Objective, ii. Position, iii. Relationship, iv. Validity, v. Necessity (1 marks for identification of documents) (5 marks for correct differences)	(1+5) 6

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