

# CBSE

## New Pattern



# Business Studies

**Class 11** (Term I)

- Multiple Choice Questions
- Assertion-Reasoning MCQs
- Case Based MCQs



**3 Practice Papers**  
On Latest Term I Syllabus

Including Chapterwise  
Quick Revision Notes



# Business Studies

**Class 11** (Term I)



# Business Studies

**Class 11** (Term I)

*Author*  
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**ARIHANT PRAKASHAN** (School Division Series)



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# Syllabus (Term I)



Theory : 40 Marks

Time : 90 Minutes

Units	Periods	Marks
<b>PART A FOUNDATIONS OF BUSINESS</b>		
1. Evolution and Fundamentals of Business	18	16
2. Forms of Business Organisations	20	
2. Public, Private and Global Enterprises	10	14
2. Business Services	14	
2. Emerging Modes of Business	05	10
2. Social Responsibility of Business and Business Ethics	08	
<b>Total</b>	<b>75</b>	<b>40</b>
<b>Project Work ( Part-1)</b>		<b>10</b>

## **PART A** FOUNDATIONS OF BUSINESS

### **UNIT - 1** Evolution and Fundamentals of Business

History of Trade and Commerce in India: Indigenous Banking System, Rise of Intermediaries, Transport, Trading Communities: Merchant Corporations, Major Trade Centers, Major Imports and Exports, Position of Indian Sub-Continent in the World Economy.

Business – meaning and characteristics

Business, profession and employment-Concept

Objectives of business

Classification of business activities - Industry and Commerce

Industry-types: primary, secondary, tertiary Meaning and subgroups

Commerce-trade: (types-internal, external; wholesale and retail) and auxiliaries to trade; (banking, insurance, transportation, warehousing, communication, and advertising) – meaning

Business risk-Concept





## **UNIT - 2 Forms of Business Organizations**

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, types, merits, and limitations.

Company - Concept, merits and limitations; Types: Private, Public and One Person Company – Concept

Formation of company - stages, important documents to be used in the formation of a company

## **UNIT - 3 Public, Private and Global Enterprises**

Public sector and private sector enterprises – Concept

Forms of public sector enterprises: Departmental Undertakings, Statutory Corporations and Government Company.

## **UNIT - 4 Business Services**

Business services – meaning and types. Banking: Types of bank accounts - savings, current, recurring, fixed deposit and multiple option deposit account

Banking services with particular reference to Bank Draft, Bank Overdraft, Cash credit. E-Banking meaning, Types of digital payments

Insurance – Principles. Types – life, health, fire and marine insurance– concept

## **UNIT - 5 Emerging Modes of Business**

E - business: concept, scope and benefits

## **UNIT - 6 Social Responsibility of Business and Business Ethics**

Concept of social responsibility

Case for social responsibility

Responsibility towards owners, investors, consumers, employees, government and community.

Role of business in environment protection

**Project Work** In Business Studies (Only One Project) :

Guidelines As Given In Class XII Curriculum





# Syllabus (Rationalised)

## Part A: Foundation of Business

Units	TOPICS
<b>Unit 2 : Forms of Business organizations</b>	Partnership vs Limited Liability Partnership (LLP) Private Company vs Limited Liability Partnership (LLP) Choice of form of business organization
<b>Unit 3 : Public, Private and Global Enterprises</b>	Global Enterprises – Feature. Joint ventures, Public private partnership – concept
<b>Unit 4 : Business Services</b>	Postal Service - Mail, Registered Post, Parcel, Speed Post, Courier - meaning
<b>Unit 5 : Emerging Modes of Business</b>	Business Process Outsourcing (BPO): Concept, need and scope
<b>Unit 6 : Social Responsibility of Business and Business Ethics</b>	Business Ethics - Concept and Elements



# CBSE Circular

Acad - 51/2021, 05 July 2021

About Latest Exam Scheme Term I & II



## केन्द्रीय माध्यमिक शिक्षा बोर्ड

(शिक्षा मंत्रालय, भारत सरकार के अधीन एक स्वायत्त संगठन)

### CENTRAL BOARD OF SECONDARY EDUCATION

(An Autonomous Organisation under the Ministry of Education, Govt. of India)

CBSE/DIR (ACAD)/2021

Date: July 05, 2021

Circular No: Acad-51/2021

All the Heads of Schools affiliated to CBSE

**Subject: Special Scheme of Assessment for Board Examination Classes X and XII for the Session 2021-22**

COVID 19 pandemic caused almost all CBSE schools to function in a virtual mode for most part of the academic session of 2020-21. Due to the extreme risk associated with the conduct of Board examinations during the second wave in April 2021, CBSE had to cancel both its class X and XII Board examinations of the year 2021 and results are to be declared on the basis of a credible, reliable, flexible and valid alternative assessment policy. This, in turn, also necessitated deliberations over alternative ways to look at the learning objectives as well as the conduct of the Board Examinations for the academic session 2021-22 in case the situation remains unfeasible.

CBSE has also held stake holder consultations with Government schools as well as private independent schools from across the country especially schools from the remote rural areas and a majority of them have requested for the rationalization of the syllabus, similar to last year in view of reduced time permitted for organizing online classes. The Board has also considered the concerns regarding differential availability of electronic gadgets, connectivity and effectiveness of online teaching and other socio-economic issues specially with respect to students from economically weaker section and those residing in far flung areas of the country. In a survey conducted by CBSE, it was revealed that the rationalized syllabus notified for the session 2020-21 was effective for schools in covering the syllabus and helped learners in achieving learning objectives in a less stressful manner.

In the above backdrop and in line with the Board's continued focus on assessing stipulated learning outcomes by making the examinations competencies and core concepts based, student-centric, transparent, technology-driven, and having advance provision of alternatives for different future scenarios, the following schemes are introduced for the Academic Session for Class X and Class XII 2021-22.



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## CENTRAL BOARD OF SECONDARY EDUCATION

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### Special Scheme for 2021-22

#### **A. Academic session to be divided into 2 Terms with approximately 50% syllabus in each term:**

The syllabus for the Academic session 2021-22 will be divided into 2 terms by following a systematic approach by looking into the interconnectivity of concepts and topics by the Subject Experts and the Board will conduct examinations at the end of each term on the basis of the bifurcated syllabus. This is done to increase the probability of having a Board conducted classes X and XII examinations at the end of the academic session.

#### **B. The syllabus for the Board examination 2021-22 will be rationalized** similar to that of the last academic session to be notified in July 2021. For academic transactions, however, schools will follow the curriculum and syllabus released by the Board vide Circular no. F.1001/CBSE-Acad/Curriculum/2021 dated 31 March 2021. Schools will also use alternative academic calendar and inputs from the NCERT on transacting the curriculum.

#### **C. Efforts will be made to make Internal Assessment/ Practical/ Project work more credible and valid** as per the guidelines and Moderation Policy to be announced by the Board to ensure fair distribution of marks.

### Details of Curriculum Transaction

- Schools will continue teaching in distance mode till the authorities permit in-person mode of teaching in schools.
- **Classes IX-X: Internal Assessment** (throughout the year-irrespective of Term I and II) would include the 3 *periodic tests, student enrichment, portfolio and practical work/ speaking listening activities/ project.*
- **Classes XI-XII: Internal Assessment** (throughout the year-irrespective of Term I and II) would include end of topic or unit tests/ exploratory activities/ practicals/ projects.
- Schools would create a student profile for all assessment undertaken over the year and retain the evidences in digital format.
- CBSE will facilitate schools to upload marks of Internal Assessment on the CBSE IT platform.
- Guidelines for Internal Assessment for all subjects will also be released along with the rationalized term wise divided syllabus for the session 2021-22. The Board would also provide additional resources like sample assessments, question banks, teacher training etc. for more reliable and valid internal assessments.



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### Term I Examinations:

- At the end of the first term, the Board will organize **Term I Examination** in a flexible schedule to be conducted between November-December 2021 with a window period of 4-8 weeks for schools situated in different parts of country and abroad. Dates for conduct of examinations will be notified subsequently.
- The Question Paper will have Multiple Choice Questions (MCQ) including case-based MCQs and MCQs on assertion-reasoning type. Duration of test will be **90 minutes** and it will cover only the rationalized syllabus of **Term I only** (i.e. approx. 50% of the entire syllabus).
- Question Papers will be sent by the CBSE to schools along with marking scheme.
- The exams will be conducted under the supervision of the External Center Superintendents and Observers appointed by CBSE.
- The responses of students will be captured on OMR sheets which, after scanning may be directly uploaded at CBSE portal or alternatively may be evaluated and marks obtained will be uploaded by the school on the very same day. The final direction in this regard will be conveyed to schools by the Examination Unit of the Board.
- Marks of the **Term I Examination** will contribute to the final overall score of students.

### Term II Examination/ Year-end Examination:

- At the end of the second term, the Board would organize **Term II or Year-end Examination** based on the rationalized syllabus of Term II only (i.e. approximately 50% of the entire syllabus).
- This examination would be held around **March-April 2022** at the examination centres fixed by the Board.
- The paper will be of **2 hours duration** and have questions of different formats (case-based/ situation based, open ended- short answer/ long answer type).
- In case the situation is not conducive for normal descriptive examination a **90 minute MCQ** based exam will be conducted at the end of the Term II also.
- Marks of the Term II Examination would contribute to the final overall score.



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### Assessment / Examination as per different situations

**A. In case the situation of the pandemic improves and students are able to come to schools or centres for taking the exams.**

Board would conduct Term I and Term II examinations at schools/centres and the theory marks will be distributed equally between the two exams.

**B. In case the situation of the pandemic forces complete closure of schools during November-December 2021, but Term II exams are held at schools or centres.**

Term I MCQ based examination would be done by students online/offline from home - in this case, the weightage of this exam for the final score would be reduced, and weightage of Term II exams will be increased for declaration of final result.

**C. In case the situation of the pandemic forces complete closure of schools during March-April 2022, but Term I exams are held at schools or centres.**

Results would be based on the performance of students on Term I MCQ based examination and internal assessments. The weightage of marks of Term I examination conducted by the Board will be increased to provide year end results of candidates.

**D. In case the situation of the pandemic forces complete closure of schools and Board conducted Term I and II exams are taken by the candidates from home in the session 2021-22.**

Results would be computed on the basis of the Internal Assessment/Practical/Project Work and Theory marks of Term-I and II exams taken by the candidate from home in Class X / XII subject to the moderation or other measures to ensure validity and reliability of the assessment.

In all the above cases, data analysis of marks of students will be undertaken to ensure the integrity of internal assessments and home based exams.

**Dr. Joseph Emmanuel**  
Director (Academics)



PART A

# Foundations of Business

**CBSE**  
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# 01

# Evolution & Fundamentals of Business

## Quick Revision

1. **History of Trade and Commerce** Trade and Commerce have played a vital role in making India to evolve as a major actor in the economic world in ancient times.

A network of roads merging into the 'silk route' helped India in establishing commercial and political contacts with adjoining foreign kingdoms. Commercial cities like Harappa and Mohenjodaro were discovered in the third millennium B.C.

The civilisation had established commercial connections with Mesopotamia and traded in gold, silver, copper, coloured gemstones, beads, pearls, sea shells, terracotta pots, etc.

2. **Indigenous Banking System** played a prominent role in lending money and financing domestic and foreign trade with currency and letter of credit. With the development of banking, people began to deposit precious metals with lending individuals, functioning as bankers or seths, and money became an instrument for supplying the manufacturers with a means of producing more goods. Documents such as Hundi and Chitti were in use for carrying out transactions in which money passed from hand to hand.
3. **Rise of Intermediaries** Intermediaries played a prominent role in the promotion of trade.

They comprised of commission agents, brokers and distributors, both for wholesale and retail goods.

The Indian sub-continent enjoyed the fruits of favourable balance of trade, where exports exceeded imports with large margins and the Indigenous Banking System benefitted the manufacturers, traders and merchants with additional capital funds for expansion and development.

4. **Transport** means to take or carry people or goods from one place to another by means of a vehicle, aircraft or ship.

In the ancient times, transport by land and water was popular. As a result, trade was carried out by both land and sea.

Roads as a means of communication had assumed key importance in the entire process of growth, particularly of the inland trade and for trade over land.

5. **Trading Communities Strengthened** Punjabi and Multani merchants handled business in the northern region, while the Bhats handled business in the states of Gujarat and Rajasthan.

In urban centres, such as Ahmedabad, the Mahajan community, collectively represented by their chief called Nagar seth dominated the business.

Other urban groups included professional classes, such as Hakims and Vaidas (Physician), Wakil (Lawyer), Pundit or Mulla (Teachers), Painters, Musicians, Calligraphers etc.

6. **Merchant Corporations** The merchant corporations were organised on formal basis. They framed their own rules of membership and professional code of conduct, which even kings were supposed to accept and respect. Trade and industry taxes were also a major source of revenue. Traders had to pay octroi duties that were levied on most of the imported articles at varying rates.

7. **Major Trade Centres** There were all kinds of towns—port towns, manufacturing towns, mercantile towns, the sacred centres, and pilgrimage towns. Their existence indicates prosperity of merchant communities and professional classes. Following were the leading trade centres in ancient India

- |  |                    |
|--|--------------------|
| (i) Pataliputra (Known as Patna today) |                    |
| (ii) Peshawar                          | (iii) Taxila       |
| (iv) Indraprastha                      | (v) Mathura        |
| (vi) Varanasi                          | (vii) Mithila      |
| (viii) Ujjain                          | (ix) Surat         |
| (x) Kanchi                             | (xi) Madura        |
| (xii) Broach                           | (xiii) Kaveripatta |
| (xiv) Tamralipti                       |                    |

8. **Major Exports and Imports** Exports included spices, wheat, sugar, indigo, opium, sesame oil, cotton, parrot, live animals and animal products, pearls, sapphires, quartz, crystal, lapis lazuli, granites, turquoise and copper etc.

Imports included horses, animal products, Chinese silk, flax and linen, wine, gold, silver, tin, copper, lead, rubies, coral, glass, amber, etc.

9. **Position of Indian Sub-continent in World Economy** Between the 1st and the 7th centuries CE, India was estimated to have the largest economy of the ancient and medieval world, controlling about one-third of the world's wealth. The country was referred to as 'Swaranbhumi' in the writings of many travellers.

Despite the growing commercial sector, the 18th century India was far behind Western Europe in technology, innovation and ideas.

The British empire began to take roots in India in the mid 18th century. They used revenues generated by the provinces under its rule for purchasing Indian raw materials, spices and goods.

As a result, the continuous inflow of bullion on account of foreign trade stopped. This altered the condition of the Indian economy from being an exporter of processed goods to the exporter of raw materials and buyer of manufactured goods.

10. **India Begins to Reindustrialise** After Independence, the process of rebuilding the economy started and India adopted centralised planning. Despite these efforts, the Indian economy could not develop at a rapid pace. Lack of capital formation, rise in population, huge expenditure on defence and inadequate infrastructure were the major reasons.

As a result, India relied heavily on borrowings from foreign sources and finally, adapted to economic liberalisation in 1991.

In present scenario, the Indian economy is one of the fastest growing economies in the world. Rising incomes, savings, investment opportunities, increased domestic consumption and younger population ensures growth for ages to come.

11. **Human Activities** People undertake various activities to satisfy their needs. These activities may be broadly classified into two groups

- (i) Economic activities are carried out to satisfy human needs.
- (ii) Non-economic activities are performed for gaining social and psychological satisfaction.

12. **Types of Economic Activities**

- (i) **Business** refers to those economic activities, which are connected with the production or purchase and sale of goods or supply of services with the main object of earning profit.

- (ii) **Profession** includes those activities, which require special knowledge and skill to be applied by individuals in their occupation.
- (iii) **Employment** refers to the occupation in which people work for others and get remuneration in return. Those who are employed by others are known as employees.
13. **Concept of Business** The term business is derived from the word 'busy'. Thus, business means being busy.  
In the words of Prof. L.R. Dicksee, "Business refers to a form of activity pursued primarily with the object of earning profits for the benefit of those on whose behalf the activity is conducted."
14. **Characteristics of Business Activities**
- Business activities are considered as an economic activities.
  - Every business either manufactures goods it deals in or acquires them to be further sold to consumers.
  - Business involves sale or exchange of goods or services for value.
  - Business involve dealings in goods or services on a regular basis.
  - The primary objective of business is to earn profit.
  - In business, the returns on amount invested are not certain.
  - Business involves an element of risk.
15. **Objectives of Business**
- Economic Objectives** Business being an economic activity aims to achieve the following objectives
    - Profit Earning** Every businessman seeks to earn profit by satisfying the want of consumers. No business can survive for long without earning sufficient profits.
    - Survival** Every business aims to ensure that it continues to survive and exist in the future.
    - Growth** Business must grow and expand its activities. Growth is measured in terms of sales volume, market share, number of products, etc.
  - Social Objectives** Business is an integral part of society. Some of the social objectives of business are
    - Supply of good quality products and services.
    - Avoidance of unfair trade practices.
    - Generation of employment opportunities.
    - Protection of environment.
16. **Role of Profit in Business**
- Profit is a source of income for businessman.
  - It is a source for business expansion and growth.
  - It is a reward for risk taking.
  - It builds up reputation of business.
17. **Classification of Business Activities**
- Industry** refers to the business activities which are concerned with the production or processing of goods and materials.
  - Commerce** refers to the business activities which are concerned with facilitating the exchange of goods and services.
18. **Types of Industry**
- Primary Industry** includes all those industries which are connected with extraction and production of natural resources and reproduction and development of living organisms, plants, etc. It is further sub-divided into two categories
    - Extractive industries
    - Genetic industries
  - Secondary Industry** is concerned with using the materials which have already been extracted at the primary stage to produce the finished goods. It is further sub-divided into two categories
    - Manufacturing Industries** convert raw material into finished products. These can be divided into four categories
      - Analytical industry
      - Synthetic industry
      - Processing industry
      - Assembling industry
    - Construction Industries** includes those industries which are engaged in construction of buildings, roads, dams, bridges, etc.

- (iii) **Tertiary Industry** is concerned with providing support services to primary and secondary industries. Various types of service providing industries are
- Transport
  - Insurance
  - Communication
  - Banking
  - Warehousing
  - Advertising
19. **Commerce** consists of activities involved in removing the hindrances of persons, place, time, risk, finance and information in the process of exchange of goods and services.
20. **Classification of Commerce** It includes two types of activities
- (i) **Trade** refers to sale, transfer or exchange of goods. It helps in making the produced goods available to ultimate consumers or users. Trade may be classified into two broad categories
- (a) **Internal or Home Trade** is concerned with the buying and selling of goods and services within the geographical boundaries of a country. It can further be classified as
- Wholesale trade
  - Retail trade
- (b) **External or Foreign Trade** is concerned with the exchange of goods and services between persons or organisations operating in two or more countries. It can further be classified as
- Import trade
  - Export trade
  - Entrepot trade
- (ii) **Auxiliaries to Trade** Activities which are meant for assisting trade are known as auxiliaries to trade.
- These activities are generally referred to as services because these are in the nature of facilitating the activities relating to industry and trade.
- Transportation, communication, banking, insurance, warehousing and advertising are regarded as auxiliaries to trade.
21. **Business Risk** refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events. Business enterprises face two types of risk
- (i) Speculative risks which involve possibility of both, gain as well as the possibility of loss.
- (ii) Pure risks which involve only the possibility of loss or no loss.
22. **Nature of Business Risk**
- (i) Business risk arises due to uncertainties.
- (ii) It is an essential part of every business.
- (iii) Degree of risk depends mainly upon the nature and size of business.
- (iv) Profit is the reward for risk taking.
23. **Causes of Business Risk**
- (i) **Natural Causes** such as earthquake, flood, drought etc.
- (ii) **Human Causes** such as carelessness, negligence, etc of employees.
- (iii) **Economic Causes** such as price fluctuation, changes in the market conditions, etc.
- (iv) **Other Causes** such as accidents, physical and technical disabilities, political disturbances, etc.

# Objective Questions

## Multiple Choice Questions

- ..... is used for carrying out transactions in which money is passed from hand to hand in ancient times.
  - Cheques
  - Bill of exchange
  - Hundi
  - Demand draft
- Which place was prominent for skilled artisans to work and convert raw material into finished goods which were high in demand?
  - Village
  - Karkhana
  - Jhopari
  - Chopal
- Which type of duty was used to be charged on imported articles by king in ancient times?
  - Import Duty
  - Sales Tax
  - Export Duty
  - Octroi
- There is a time gap between production and consumption of goods, therefore warehousing is required, which overcomes the problem of ..... .
  - funds
  - storage
  - time
  - place
- Patliputra was popularly known as commercial centre for ..... .
  - export of stones
  - import of horses
  - centre of learning
  - centre of textiles
- Identify the activity which is not an auxiliary to trade?
  - Banking
  - Warehousing
  - Insurance
  - Mining
- Unorganised sector is not directly controlled by the RBI. This sector includes money lenders, indigenous bankers, pawn brokers, traders and landlords.
  - True
  - False
  - Can't say
  - Partially true

- Industries like sugar mill or oil refinery are put under which category?
  - Primary
  - Secondary
  - Tertiary
  - None of these

- Match the following.

Column I	Column II
A. Advertising	(i) Hindrance of persons
B. Warehousing	(ii) Hindrance of place
C. Trade	(iii) Hindrance of time
D. Transport	(iv) Hindrance of information

### Codes

	A	B	C	D	A	B	C	D	
(a)	(i)	(ii)	(iii)	(iv)	(b)	(iv)	(iii)	(i)	(ii)
(c)	(i)	(iii)	(iv)	(ii)	(d)	(iv)	(i)	(ii)	(iii)

- Which of the following is not a characteristic of business?
  - Production
  - Exchange or sale
  - Wages or salaries
  - Risk element
- No business can survive without enough amount of funds. Banks are providing financial assistance to the businesses to overcome one of the following hindrance of trade.
  - Hindrance of place
  - Hindrance of time
  - Hindrance of finance
  - Hindrance of information
- Mr. Naresh Batra a businessman, incurred some financial loss due to the dishonesty of his workers. This loss is caused due to ..... .
  - natural
  - financial
  - human
  - economic

- 13.** One of the functions of financial intermediaries includes liability-asset transformation under which they accept deposits as liability and convert them into assets, such as loan.
- (a) True (b) False  
(c) Can't say (d) Partially true
- 14.** Which of the following is not a business activity?
- (a) Production of goods  
(b) Work in a factory for wages  
(c) Exchange of goods  
(d) Transportation
- 15.** Which of the following is not an economic activity?
- (a) Production (b) Trading in goods  
(c) Professional (d) Social service
- 16.** Arnav is working as sales executive in XYZ Limited Company. He is getting ₹ 40,000 per month. His job is to enhance the sale of the company. Identify which type of economic activity is highlighted in the case?
- (a) Profession (b) Employment  
(c) Business (d) None of these
- 17.** Name the occupation in which people work for others in return for wages or salaries?
- (a) Employment (b) Business  
(c) Profession (d) None of these
- 18.** Support services to industrial\business activities are clubbed under
- (a) commercial industries  
(b) secondary industries  
(c) primary industries  
(d) tertiary industries
- 19.** Which of the following is not a cause of business risk?
- (a) Break down of machinery  
(b) Efficient management  
(c) Riot  
(d) Changing government policy
- 20.** Due to which characteristic of business, there is always a possibility of losses being incurred, despite the best efforts put into the business.
- (a) Uncertainty of returns  
(b) Production or procurement of goods and services  
(c) Economic activity  
(d) Profit earning
- 21.** GMR Industries entered the airports space in early 2000 and is today counted amongst the top 5 private airport developer and operators globally.
- GMR Industries presently owns and operates Delhi International Airport and Hyderabad International Airport. Apart from being the largest private airport company in India, GMR Industries is the only Indian airport developer to have developed and operated airports outside India. Identify the type of industry being discussed in above case.
- (a) Primary  
(b) Secondary  
(c) Tertiary  
(d) None of the above
- 22.** Why should a business earn profit?
- (a) To provide return to investors.  
(b) To provide funds for future growth  
(c) To increase the reputation of business  
(d) All of the above
- 23.** ..... includes activities which are connected with production, purchase and sale of goods with the aim of earning profit.
- (a) Business  
(b) Profession  
(c) Employment  
(d) Job

- 24.** Match the various types of manufacturing industry given in column I with their respective example given in column II.

Column I	Column II
A. Analytical Industry	(i) Manufacturing cement by mixing limestone, gypsum and coal.
B. Synthetic Industry	(ii) Manufacturing sugar from sugarcane.
C. Processing Industry	(iii) Producing petrol and diesel out of crude oil.

**Codes**

A B C	A B C
(a) (i) (ii) (iii)	(b) (iii) (ii) (i)
(c) (iii) (i) (ii)	(d) (ii) (i) (iii)

- 25.** Which of the following is not a true statement?
- The scope of commerce is narrower than business.
  - Commerce includes trade and auxiliaries to trade.
  - Foreign trade is purchase and sale by the traders of the same country.
  - Traders serve as a link between producers and consumers.
- 26.** The possibilities of inadequate profits or even losses due to uncertainties are known as .....
- Business contingencies
  - Business risks
  - Business ventures
  - None of the above
- 27.** Chettis community is specialised in trading and moving from one place to another place, sometimes with thousands of oxen, heavily loaded with food grains, salt and other daily use stuff.
- True
  - False
  - Can't say
  - Partially false

- 28.** Which one of the following may not be a factor behind starting a business?

- Routine workload
- Size of the firm
- Finance
- Location of the business

- 29.** Name the two broad categories of business activities.

- Trade and Commerce
- Trade and Industry
- Industry and Commerce
- None of the above

- 30.** Commerce includes activities relating to trade and ..... to trade.

- supporting
- subsidiaries
- auxiliaries
- None of these

- 31.** Apoorvi, from a young age had a deep connection with traditional Indian textiles and craftsmanship. She fulfilled her life long dream of making a career in fashion by leaving her professional life behind and pursued a design programme at the Los Angeles School of Design and Merchandising.

Thus, Apoorvi got real world fashion exposure. With her love for Indian fabrics and her arsenal of fashion knowledge, she now intends to glorify these national treasures with her readymade store 'Armaniya'.

'Armaniya' is an initiative to incorporate a perfect mix of latest trends, luxury fabrics, Indian traditional weaves and culture, all under one roof.

She manages the business along with two employees i.e., salesman and a cashier. She usually takes advice from her father in case of any managerial issue. Now-a-days, Apoorvi is facing a lot of problem as trends in the field are continuously changing, this ever-changing market along with strong competition has added to the trouble of declining sales.

Furthermore, One day Apoorvi found her cashier doing some embezzlement of funds. Which type of risk is she facing in the above said case?

- (a) Pure risk (b) Speculative risk  
(c) Partial risk (d) None of these

- 32.** Match the various causes of business risk in column I with their respective statement in column II.

Column I	Column II
A. Natural Causes	(i) These include flood, earthquake, lightning, etc.
B. Human Causes	(ii) These include such unexpected events, like dishonesty of employees.
C. Economic Causes	(iii) These include uncertainties relating to demand for goods, competition, price, etc.

Codes

- |                    |                    |
|--------------------|--------------------|
| A B C              | A B C              |
| (a) (i) (ii) (iii) | (b) (ii) (i) (iii) |
| (c) (iii) (ii) (i) | (d) (ii) (iii) (i) |

- 33.** Business risk generated out of carelessness or negligence of employees would emerge due to which of the following cause?

- (a) Natural cause (b) Human cause  
(c) Economic cause (d) Other cause

- 34.** Earning of profit is considered to be the subsidiary objective of the business. The given statement is

- (a) True (b) False  
(c) Can't say (d) Partially true

- 35.** The maritime route linked the east and the west by Sea and were used for the trade of spices is known as .....

- (a) Sea route (b) Spice route  
(c) Railway route (d) None of these

- 36.** Following are the characteristics of business risks. Identify the incorrect one.

- (a) Loss is the reward for risk bearing.  
(b) Business risks are due to uncertainties.  
(c) Risk is an essential component of every business.  
(d) Degree of risk depends mainly upon the nature and size of business.

- 37.** Transfer of interest exists in the case of

- (a) profession (b) employment  
(c) business (d) None of these

- 38.** The banking system in India dated back to 1750 BC. In ancient India, there is evidence of loans from the Vedic period. From the writing of many foreign travellers during Mughal period we came to know about the use of various instruments in the then great commercial centres. In the Mughal period, historians found the evidence of loan deeds which were called dastawez. There were two types of dastawez – one was payable on demand and other was payable after a stipulated time. The most important class of credit instruments of exchange evolved in India at that time. Their use was most widespread in the twelfth century, and has continued till today.

On the basis of the given information about the banking system in India, identify the instrument of exchange prominent in the great ancient commercial centres of India.

- (a) Bills of exchange (b) Hundi  
(c) Promissory note (d) None of these

- 39.** Human activities are of ..... types.

- (a) one (b) two (c) three (d) four

- 40.** Which of the following is not an example of non-economic activity?

- (a) Patriotism (b) Teaching  
(c) Sentiment (d) Sympathy

- 41.** Occupation in which people work for others and get salary or wages in return is termed as business.  
 (a) True (b) False  
 (c) Can't say (d) Partially true
- 42.** Changes in market conditions, changes in price or changes in fashion and tastes of customers refer to which type of risk?  
 (a) Pure risk  
 (b) High risk  
 (c) Low risk  
 (d) Speculative risk
- 43.** Economic activities may be classified into business, ..... and employment.  
 (a) profession (b) occupation  
 (c) vocation (d) work
- 44.** Mr X started business of buying and selling of refrigerators. The business of Mr X will be considered as .....  
 (a) commerce (b) trade  
 (c) selling (d) transaction
- 45.** Neha cooks food at home for her family but Asha cooks food and sells it to others in a restaurant. Who is engaged in business activity?  
 (a) Neha (b) Asha  
 (c) Both Neha and Asha (d) None of these
- 46.** Match the various types of Industries given in column I with their respective example given in column II.

Column I	Column II
A. Primary Industry	(i) Manufacturing Industry
B. Secondary Industry	(ii) Transport Industry
C. Tertiary Industry	(iii) Extractive Industry

**Codes**

- |                    |                    |
|--------------------|--------------------|
| A B C              | A B C              |
| (a) (iii) (i) (ii) | (b) (ii) (i) (iii) |
| (c) (i) (ii) (iii) | (d) (iii) (ii) (i) |

- 47.** The merchant community derived power and prestige from guilds. Even kings were supposed to accept and respect the rules of these guilds. The guild chief dealt directly with the king or tax collectors and settled the market toll on behalf of its fellow merchants at a fixed sum of money.

The guild merchants also acted as custodians of religious interests. They undertook the task of building temples and made donations by levying a corporate tax on their members. The commercial activity enabled big merchants to gain power in the society.

Identify the guild being specified in the above case.

- (a) Intermediaries  
 (b) Zamindars  
 (c) Merchant corporations  
 (d) None of the above

- 48.** Recognise the assembling industry out of these.  
 (a) Poultry, cattlefarms  
 (b) Cement, brick  
 (c) Sugar, cotton  
 (d) Television, computer

- 49.** The industry concerned with using the material which have already been extracted at the primary stage is  
 (a) primary industry (b) tertiary industry  
 (c) secondary industry (d) None of these

- 50.** The type of industry which is engaged in breeding plants and animals for their use in further reproduction is .....  
 (a) extractive industry  
 (b) manufacturing industry  
 (c) genetic industry  
 (d) construction industry

- 51.** The best example of analytical industry is  
 (a) cement (b) computer  
 (c) sugar mill (d) oil refinery

**52.** In which form of economic activity, code of conduct is prescribed?

- (a) Business (b) Employment  
(c) Profession (d) None of these

**53.** Activities which are meant for assisting trade are known as

- (a) Trade (b) Trade assistance  
(c) Auxiliaries to trade (d) None of these

**54.** Rohit and Gurvinder are partners selling electronic products across India. They import the components from their friend Atul who operates his business from China and assembles them in their factory established in a rural area of Jharkhand. Most of the workers in the factory are children and women.

They are paid very less salaries thus owners save on labour cost. They store their stocks in a warehouse but do not take proper safety measures against fire, burglary etc. There was a short circuit in the factory and as a result most of the stock was damaged.

On the basis of the given information about Rohit and Gurvinder, specify the type of business activity being performed by Atul.

- (a) Import trade (b) Entrepot trade  
(c) Industry (d) Export trade

**55.** Which one is considered with production or processing of goods and materials?

- (a) Trade (b) Industry  
(c) Commerce (d) None of these

**56.** Profit can be re-invested in business. It is a good source of finance for expansion and growth of business.

- (a) True  
(b) False  
(c) Can't say  
(d) Partially true

**57.** Which of the following cannot be classified as an objective of business?

- (a) Investment (b) Productivity  
(c) Discovery (d) Profit earning

**58.** Match the concepts in column I with their respective statement in column II.

Column I	Column II
A. Business	(i) Servant
B. Profession	(ii) Body of specialised knowledge and technique
C. Employment	(iii) Exchange of goods and services

**Codes**

- |     |       |      |       |  |     |       |      |       |
|-----|-------|------|-------|--|-----|-------|------|-------|
|     | A     | B    | C     |  | A   | B     | C    |       |
| (a) | (i)   | (ii) | (iii) |  | (b) | (ii)  | (i)  | (iii) |
| (c) | (iii) | (i)  | (ii)  |  | (d) | (iii) | (ii) | (i)   |

**59.** Which of the following comes under economic causes of risk?

- (a) Flood, famine  
(b) Negligence of workers, stoppage of work  
(c) Demand for goods, competition  
(d) None of the above

**60.** Mechanical failures, political disturbances and other unforeseen events are

- (a) natural causes (b) economic causes  
(c) human causes (d) other causes

**61.** Monica Khanna is a jewellery designer. She started her career from the scratch and took advanced designing course at jewellery product development center. On the completion of the course, she got a job at Gitanjali Gems. Being an experienced jewellery designer, Monica Khanna focuses on maintaining the originality and creativity of the ornaments that are custom designed and developed by her.

On the basis of the given information about Monica Khanna, identify the type of economic activity that Monica Khanna is engaged in.

- (a) Profession
- (b) Business
- (c) Employment
- (d) All of these

62. The production of goods takes place in particular locations but they are used at different places. So, the obstacle of place is removed by

- (a) banking
- (b) advertising
- (c) insurance
- (d) transport

63. The process of exchanging ideas, information by speaking, writing etc. is termed as

- (a) Sender
- (b) Medium
- (c) Communication
- (d) None of the above

64. Match the concepts in column I with their respective statement in column II.

Column I	Column II
A. Economic Activity	(i) No minimum qualification is necessary
B. Non-economic Activity	(ii) Profit earning
C. Business	(iii) Psychological satisfaction

**Codes**

- |     |      |      |       |     |       |
|-----|------|------|-------|-----|-------|
| A   | B    | C    | A     | B   | C     |
| (a) | (i)  | (ii) | (iii) | (b) | (ii)  |
| (c) | (ii) | (i)  | (iii) | (d) | (i)   |
|     |      |      |       |     | (iii) |
|     |      |      |       |     | (ii)  |

65. Which auxiliary to trade bridges the time gap between production and consumption?

- (a) Advertising
- (b) Banking
- (c) Insurance
- (d) Warehousing

66. Katherine wants to start a retail business of fashion items but changes in taste and preferences of customers may result in loss in such type of business. She is hesitating as she is aware of risks which are inherent in every business.

She approaches her friend Kristina who is the owner of a retail shop. Kristina advises her to go ahead with her idea as she will get profit as return for undertaking risk. She also told her that some risks in business can be insured by taking insurance policy.

On the basis of the given information about Katherine, identify the main features of business risk discussed in the above case.

- (a) Uncertainties
- (b) Degree of risk depends upon nature of business
- (c) Size of business
- (d) None of the above

67. Advertising makes it possible for producers and trades to promote the goods and services available in the market, thus removing the hindrance of risk.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially false

68. The amount of loss or damage and compensation for injury can be recovered by using which auxiliary to trade?

- (a) Advertising
- (b) Premium
- (c) Insurance
- (d) Policy

69. The obligation of business firms to contribute for society and work for it refers to

- (a) social responsibility
- (b) human responsibility
- (c) company responsibility
- (d) None of the above

**70.** Mr. Y told Mr. T that for business, we need physical resources. Identify the physical resources given below.

- (a) Bank (b) Warehouse  
(c) Plant and machinery (d) None of these

**71.** The lack of knowledge about what is going to happen in the future is

- (a) risk (b) uncertainty  
(c) Both (a) and (b) (d) None of these

**72.** Sunstar Steel Ltd., a leading manufacturer of iron and steel decided to setup a new factory in a remote area in Rajasthan, so that unemployed youth from the rural areas could get same opportunities as those available in the urban areas.

This initiative has raised the standard of living of people in rural areas. All children in these families are getting good education and these families are also actively contributing to nation building process through their dedicated work. On the basis of the given information, identify the objective of business being followed by the company.

- (a) Organisational  
(b) Social  
(c) Personal  
(d) All of the above

**73.** “Greater the risk involved in a business, higher is the chance of profit”. This statement is true or false.

- (a) True  
(b) False  
(c) Can't say  
(d) Partially false

**74.** The position of an enterprise in relation to its competitors is termed as

- (a) Market survival  
(b) Growth  
(c) Market standing  
(d) None of the above

**75.** Sunstar Steel Ltd., a leading manufacturer of iron and steel decided to setup a new factory in a remote area in Rajasthan, so that unemployed youth from the rural areas could get same opportunities as those available in the urban areas. This initiative has raised the standard of living of people in rural areas. All children in these families are getting good education and these families are also actively contributing to nation building process through their dedicated work. Identify the activity discussed in the given case.

- (a) Economic (b) Non-economic  
(c) Both (a) and (b) (d) None of these

**76.** It was in the early 1970s, when Sh. M.P. Sharma started the journey towards a brighter future. Then the small sweet shop has now flourished into a family owned enterprise which consists of many outlets in Delhi. These outlets serve sweets and cuisines spanning Indian, Continental, Chinese, South Indian and Regional foods. Mehar Sweets follows the casual dining concept and provides a warm and hospitable ambience in the outlets.

Today, Mehar Sweets is a food business group with special ventures focused on Bengali Sweets and Multicuisine. During Diwali season this year, the shop owner employed women and children to meeting urgent orders and paid them marginal and limited salary.

He prepared more Bengali Sweets than what he had sold last year. This way, Mehar Sweets generated more than the expected profit. On the basis of the given information about Mehar Sweets, which objective of business is not being fulfilled?

- (a) Organisational (b) Social  
(c) Personal (d) All of these

**77.** Vijay Plastic Pvt. Ltd. are makers of plastic toys for children; earning a huge profit. A research conducted by The Indian Council of Child Welfare on the toys shows that colours used in manufacturing toys are harmful for the children. The test was conducted on toys manufactured by the company and case was filed against Vijay Plastic Pvt. Ltd. for using sub-standard colours.

However, managing director assured that the company will use standard colours only after certification from the research laboratory and the company will expand its production capacity by employing labour from unprivileged sections of the society. On the basis of the given information about Vijay Plastic Pvt. Ltd., specify the type of business activity performed by Vijay Plastic Pvt. Ltd.

- (a) Trade (b) Commerce  
(c) Industry (d) None of these

**78.** Go Earth Ltd. manufactures jute bags and its factory has been set-up in a residential area. The company has employed unskilled and semi-skilled workers and it pays them lower wages on the pretext of at least providing jobs as the employment opportunities in the area is quite limited. During the production process, lots of residu is left. In order to decrease cost and increase profitability, the company dumps this residu in the residential area which is sold after a substantial time gap.

This practice causes lot of inconvenience to the residents of that area. Identify and explain the objective of management which is ignored by the company.

- (a) Organisational  
(b) Social  
(c) Personal  
(d) All of the above

**79.** Start-ups are usually small and initially financed and operated by a handful of founders or one individual.

These companies offer a product or service that is not currently being offered elsewhere in the market, or that the founders believe that it is being offered in an inferior manner. What does it take to Start-ups? A brilliant idea? A great team? Money? Yes.

All of those things. But more than anything what it takes, is belief. A belief that there is significance to the problem being addressed, and that the solution is something which the consumer wants. It is really amazing how most large companies have such humble stories of starting up.

All of them started with nothing but just plain conviction. Even with such conviction, they fail because of an inherent factor present in business. On the basis of the given information about Start-ups, Identify this inherent factor which leads to failure of business enterprise.

- (a) Industry  
(b) More of import trade  
(c) Business risk  
(d) None of the above

**80.** Mariah had done a diploma in fashion designing. She is very creative. She saw a picture of a party gown in an international fashion magazine, having a price tag of ₹ 50,000. She decided to make that gown herself with some customisation. She calculated that for making of gown, she has spent ₹ 4,000.

Her friend liked the gown very much, so Mariah sold that gown to her friend for ₹ 8,500 and made a profit of ₹ 4,500. Due to this transaction, Mariah decided to open a boutique of making gowns and selling them in the market

with nominal profit. On the basis of the given information, identify the relevant feature of business highlighted here.

- (a) Production of goods and services
- (b) Profit earning
- (c) Dealing in goods and services on regular basis
- (d) Uncertainty of return

### Assertion-Reasoning MCQs

**Direction** (Q.Nos. 81 to 85) *There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below*

- (a) Both the Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
  - (b) Both the 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
- 81. Assertion (A)** Obsessed with profit, business managers may neglect all other responsibilities towards customers, employees, investors and society at large.  
**Reason (R)** There is hardly any sizable business enterprise whose only objective is maximisation of profit.
- 82. Assertion (A)** For centuries, pepper remained the reason for rivalry and conflict between various empires and trade powers to dominate the route for its trade.  
**Reason (R)** It was in the search for an alternate route to India for spices that led to the discovery of America by Columbus in the closing years of 15th century and also brought Vasco da Gama to the shores of Malabar in 1498.

**83. Assertion (A)** Speculative risks involve both the possibility of gain, as well as, the possibility of loss.

**Reason (R)** Speculative risks arise due to changes in market conditions, including fluctuations in demand and supply.

**84. Assertion (A)** Business follows only one objective and expect to achieve excellence.

**Reason (R)** Objectives are needed in every area where performance and results affect the survival and prosperity of business.

**85. Assertion (A)** Every profession restricts the entry on the basis of examination or education.

**Reason (R)** A strict code of conduct exists in every profession.

### Case Based MCQs

**Direction** *Read the following case study and answer questions 86 to 90 on the basis of the same.*

Saloni, Rupali, Mukesh and Rakesh - all the four are members of the same family. Saloni passed her M.B.B.S examination recently. Immediately, she got the job of a doctor in a government hospital. Rupali has completed her studies in engineering and has given her interview for the post of a production manager in Sharda Cement Limited. She is waiting for the result and is quite hopeful of her getting selected.

Mukesh has his own transport company. His company has about 150 vehicles. He had to suffer a heavy loss because of the pandemic Corona (Covid-19). His company is on the edge of getting closed.

Rakesh is working in the Research and Development Department of Balaji Services Limited. His full attention is focused on effecting innovation in the services provided by his company. He knows that in order to sustain for a long-time in market, it is necessary to do something new and better.

**86.** Identify the type of work done by Dr. Saloni.

- (a) Employment                      (b) Profession  
(c) Business                            (d) Trade

**87.** Identify the class of company in which Rupali has given her interview.

- (a) Assembling Industry  
(b) Synthetic Industry  
(c) Processing Industry  
(d) Analytical Industry

**88.** Which business risk is Mukesh's company struggling against?

- (a) Human cause                      (b) Economic cause  
(c) Natural cause                      (d) None of these

**89.** Identify the objective of business being fulfilled by Balaji Services Limited.

- (a) Profit making  
(b) Creation of customers  
(c) Providing employment  
(d) Innovation

**90.** Identify the type of work done by Mukesh.

- (a) Employment                      (b) Profession  
(c) Business                            (d) None of these

**Direction** Read the following case study and answer questions 91 to 95 on the basis of the same.

Sampat Prasad, a small shopkeeper in Jaipur, Rajasthan used to sell the famous 'Bhujia-Sev'. It was a quick-selling product for local customers. His son after completing his studies joined his father's business and wanted to expand the business by forming a company named Sampat Bhujia Ltd, offering

a wide range of products to its local and to foreign customers like namkeen, sweets, bakery items, etc. under the same brand name. For fulfilling all the legal formalities to form the company, he appointed professionals. Now 'Sampat Bhujia Ltd., is a renowned name in snacks industry which offered its products at competitive prices even while offering customer services like gift packaging and free home delivery to become a household name.

'Sampat Bhujia' has an efficient marketing department working on minimising business risks from their competitors by making effective marketing plans, related to physical distribution, promotion of the brand, effective pricing policies and product development. It has also worked upon managing public opinion by developing relations with the masses through sponsoring cultural and sporting events, maintenance of public parks, etc.

**91.** Name the service used by 'Sampat Bhujia Ltd, to remove the hindrance of information.

- (a) Transportation                      (b) Warehousing  
(c) Promotion                            (d) Marketing

**92.** For fulfilling all the legal formalities to form the company, he appointed professionals. Who among the following is appointed as a professional?

- (a) Promoter                              (b) Broker  
(c) Banker                                (d) All of these

**93.** 'Sampat Bhujia' has an efficient marketing department working on minimising business risks from their competitors. Which type of risk is this?

- (a) Pure risk  
(b) Speculative risk  
(c) Financial risk  
(d) Insurable risk

**94.** It has also worked upon managing public opinion by developing relations with the masses through sponsoring cultural and sporting events, maintenance of public parks, etc. Identify the objective fulfilled by the company by doing so.

- (a) Economic (b) Social  
(c) Ethical (d) Legal

**95.** Which type of industry is ‘Sampat Bhujia Ltd.’?

- (a) Genetic (b) Construction  
(c) Manufacturing (d) Extractive

**Direction** Read the following case study and answer the questions 96 to 100 on the basis of the same.

Deepti an electronic engineer after completing her MBA from IIM Kolkata, wants to open her own business of generation of electricity through garbage. She knew that the demand for electricity is increasing day by day whereas it’s generation is not sufficient. Secondly, India is facing the problem of garbage disposal also. She shared her business idea with some of her friends and they all liked it and agreed to join the business as owners. After detailed investigation about the idea, i.e., economically viable, technically feasible, Deepti gave her idea a practical shape and got her company incorporated as “Eco Electricity Ltd.” After incorporation, the company issued share capital of 1 crore in the capital market.

**96.** Name the type of business activity eco electricity is engaged in

- (a) primary industry  
(b) secondary industry  
(c) service industry  
(d) trade

**97.** Deepti wants to open her own business of generation of electricity through garbage. Specify the category of such type of industry.

- (a) Analytical  
(b) Extractive  
(c) Synthetic  
(d) Processing

**98.** “Deepti an electronic engineer after completing her MBA from IIM Kolkata”. Which type of economic activity highlighted in above lines?

- (a) Employment  
(b) Profession  
(c) Business  
(d) Job

**99.** Which type of trade can be assumed in above case?

- (a) Internal (b) External  
(c) Both (a) and (b) (d) None of these

**100.** In the above case, hindrance of information is being removed by following which auxiliary?

- (a) Transportation  
(b) Warehousing  
(c) Advertising  
(d) Banking

## ANSWERS

### Multiple Choice Questions

1. (c) 2. (b) 3. (d) 4. (b) 5. (a) 6. (d) 7. (a) 8. (b) 9. (b) 10. (c)  
 11. (c) 12. (c) 13. (a) 14. (b) 15. (d) 16. (c) 17. (a) 18. (d) 19. (b) 20. (a)  
 21. (b) 22. (d) 23. (a) 24. (c) 25. (c) 26. (b) 27. (b) 28. (a) 29. (c) 30. (c)  
 31. (a) 32. (a) 33. (b) 34. (b) 35. (b) 36. (a) 37. (c) 38. (b) 39. (b) 40. (b)  
 41. (b) 42. (d) 43. (a) 44. (b) 45. (b) 46. (a) 47. (c) 48. (d) 49. (c) 50. (c)  
 51. (d) 52. (c) 53. (c) 54. (d) 55. (b) 56. (a) 57. (c) 58. (d) 59. (c) 60. (d)  
 61. (c) 62. (d) 63. (c) 64. (b) 65. (d) 66. (a) 67. (b) 68. (c) 69. (a) 70. (c)  
 71. (b) 72. (b) 73. (a) 74. (c) 75. (a) 76. (b) 77. (c) 78. (b) 79. (c) 80. (c)

### Assertion-Reasoning MCQs

81. (a) 82. (a) 83. (a) 84. (d) 85. (b)

### Case Based MCQs

86. (a) 87. (b) 88. (c) 89. (d) 90. (c) 91. (c) 92. (d) 93. (b) 94. (b) 95. (c)  
 96. (b) 97. (d) 98. (b) 99. (a) 100. (c)

## EXPLANATIONS

- 8.** Sugar mill and oil refinery are processing industries which is a part of secondary industry.
- 10.** Wages and salaries are a part of employment, not a business.
- 12.** This is a human cause because it could have been avoided if workers behaved in an honest way.
- 14.** Working in a factory for wages is an employment.
- 15.** Social service is undertaken with a motive of getting psychological satisfaction.
- 16.** Sale of goods and services on a regular basis is a part of business.
- 19.** Efficient management is a gain or prestige of business.
- 21.** GMR industry is a construction based industry which is a part of secondary industry.
- 25.** Foreign trade means purchase and sale by the traders of different countries.
- 27.** Banjaras are the one who are specialised in trading and moving from one place to another.
- 34.** Earning profit is the main objective of the business.
- 36.** Loss is the reward for risk bearing is an importance of business risk.
- 37.** In profession and employment, no one can transfer his interest or ownership to any one because of inseparability.
- 40.** Teaching is an example of an economic activity because it includes a monetary transaction.
- 41.** It is not a business, it is termed as an employment.
- 48.** The parts of television and computers are assembled for making a final product.
- 55.** Industry means production of goods and services for the purpose of consumption.
- 57.** Discovery is not related with an economic perspective which makes it unfit to be an objective of business.
- 67.** Advertising helps to remove the hindrance of information.
- 84.** Businesses not only follow one objective, there are many objectives of business like economic, social, personal.
- 85.** Every profession has an association which restricts the entry.

# 02

# Forms of Business Organisations

## Quick Revision

- 1. Sole Proprietorship** is a form of business organisation which is owned, managed and controlled by a single individual, who is the recipient of all profits and bearer of all the risks.
- 2. Features of Sole Proprietorship**
  - (i) Ease of formation and closure
  - (ii) Unlimited liability
  - (iii) Sole risk bearer and profit recipient
  - (iv) Full control
  - (v) No separate entity
  - (vi) Lack of business continuity
- 3. Merits of Sole Proprietorship**
  - (i) Quick decision-making
  - (ii) Confidentiality of information
  - (iii) Ease of formation and closure
  - (iv) Direct incentive
  - (v) Sense of accomplishment
- 4. Limitations of Sole Proprietorship**
  - (i) Limited resources
  - (ii) Limited life of a business concern
  - (iii) Unlimited liability
  - (iv) Limited managerial ability
- 5. Hindu Undivided Family Business** is one of the oldest form of business organisation wherein the business is owned and carried on by the members of the Hindu Undivided Family (HUF).

The business is controlled by the head of the family, who is the eldest member and is called 'Karta'. All members have equal ownership right over the property and are called 'Co-parceners'.
- 6. Features of Hindu Undivided Family Business**
  - (i) Ease of formation
  - (ii) Limited liability of members, except Karta
  - (iii) Dominance of Karta
  - (iv) Continued business existence
  - (v) Effective control
  - (vi) Minor members
- 7. Partnership** is the relation between persons who have agreed to share profits of a business carried on by all or any one of them acting for all.
- 8. Features of Partnership**
  - (i) It comes into existence through a legal agreement wherein the terms and conditions governing the relationship among the partners, sharing of profits and losses and the manner of conducting the business are specified.
  - (ii) The partners of the firm have unlimited liability.
  - (iii) The partners bear the risks involved in running a business as a team.
  - (iv) The partners share amongst themselves the responsibility of decision-making and control of day-to-day activities.

- (v) Existence of the firm is affected by death, retirement, lunacy, madness and insolvency of any of its partner.
- (vi) The minimum number of partners needed to start a partnership firm is two. However, as per Rule 10 of The Companies (Miscellaneous) Rules 2014, at present the maximum number of members can be 50.
- (vii) There exist a mutual agency relationship among the partners, i.e. each partner is both an agent and principal.

### 9. Merits of Partnership

- (i) Ease of formation and closure
- (ii) Balanced decision-making
- (iii) More funds
- (iv) Sharing of risks
- (v) Secrecy

### 10. Limitations of Partnership

- (i) Unlimited liability
- (ii) Limited resources
- (iii) Possibility of conflicts
- (iv) Lack of continuity
- (v) Lack of public confidence

### 11. Types of Partner

- (i) **Active Partner** takes actual part in carrying out business of the firm on behalf of other partners.
- (ii) **Sleeping Partner** does not take active part in the day-to-day activities of the business.
- (iii) **Secret Partner** contributes capital and takes active part in business, but his association with the firm is hidden from the general public.
- (iv) **Nominal Partner** allows the use of his name and goodwill for the benefit of the firm.
- (v) **Partner by Estoppel** is a person who accepts by his conduct that he is a partner in the firm.
- (vi) **Partner by Holding Out** is represented as a partner and he does not deny such impression, despite of becoming aware of that fact.

### 12. Types of Partnership

- (i) On the basis of Duration
  - Partnership at Will** formed for an indefinite period.
  - Particular Partnership** formed to carry out a specific venture.
- (ii) On the Basis of Liability
  - General Partnership** Liability of all members is unlimited.
  - Limited Partnership** One partner has unlimited liability and the liability of other partners is limited to their share in the partnership.

13. **Partnership Deed** is a written agreement between two or more persons for managing the affairs of a partnership firm. Partnership deed includes the following aspects

- (i) Name of the firm
- (ii) Nature and location of business
- (iii) Duration of business
- (iv) Investment made by each partner
- (v) Distribution of profit and loss
- (vi) Duties and obligations of the partners
- (vii) Salaries and withdrawals of the partners
- (viii) Terms governing admission, retirement and expulsion of a partner
- (ix) Interest on capital and interest on drawings
- (x) Procedure for dissolution of the firm
- (xi) Preparation of accounts and their auditing
- (xii) Method of solving disputes

### 14. Registration of Partnership Firm

Registration means the entering of the firm's name, along with the relevant prescribed particulars, in the Register of firms kept with the Registrar of Firms. Registration provides a conclusive proof of the existence of the firm. It is optional to get a firm registered. However, non-registration deprives the firm from a number of benefits like

- (i) A partner of an unregistered firm cannot file a suit against the firm or other partners.
- (ii) The firm cannot file a suit against a third party.
- (iii) The firm cannot file a case against a partner.

15. **Cooperative Society** is a voluntary association of persons formed for mutual benefit. Its primary motive is welfare of the members.

16. **Features of Cooperative Society**

- (i) The membership of a cooperative society is voluntary.
- (ii) Registration of a cooperative society is compulsory.
- (iii) The liability of members is limited to the extent of the amount contributed by them as capital.
- (iv) The power to take decision lies in the hands of an elected managing committee.
- (v) It lays emphasis on the value of mutual help and welfare.

17. **Merits of Cooperative Society**

- (i) Equality in voting status
- (ii) Limited liability
- (iii) Stable existence
- (iv) Economy in operations
- (v) Support from government
- (vi) Ease of formation

18. **Limitations of Cooperative Society**

- (i) Limited resources
- (ii) Inefficiency in management
- (iii) Lack of secrecy
- (iv) Government control
- (v) Differences of opinion

19. **Types of Cooperative Society**

- (i) Consumer's cooperative society
- (ii) Producer's cooperative society
- (iii) Marketing cooperative society
- (iv) Farmer's cooperative society
- (v) Credit cooperative society
- (vi) Cooperative housing society

20. **Joint Stock Company** is an artificial person created by law, having a separate legal entity, with perpetual succession and a common seal. The companies in India are governed by the Indian Companies Act, 2013. As per Section 2(20) of Act, 2013, a company means a company incorporated under this Act or any other previous company law.

21. **Features of Joint Stock Company**

- (i) Artificial person
- (ii) Separate legal entity
- (iii) Formation is time consuming
- (iv) Perpetual succession
- (v) Control of Board of Directors
- (vi) Limited liability of the members
- (vii) Common seal to act as official signature of the company
- (viii) Risk is borne by all the shareholders

22. **Merits of Joint Stock Company**

- (i) Limited liability of the members
- (ii) Easy transferability of shares
- (iii) Perpetual existence
- (iv) Scope of expansion
- (v) Professional management

23. **Limitations of Joint Stock Company**

- (i) Complexity in formation
- (ii) Impersonal work environment
- (iii) Lack of secrecy
- (iv) Numerous regulations
- (v) Delay in decision-making
- (vi) Oligarchic management
- (vii) Conflict of interest

24. **Types of Companies**

- (i) **Private Company** means a company which
  - restricts the right of members to transfer its shares.
  - has a minimum of 2 and a maximum of 200 members, excluding the present and past employees.
  - does not invite public to subscribe to its share capital.
- (ii) **Public Company** means a company which is not a private company. According to Companies Act, a public company is one which
  - has a minimum of 7 members and no limit on maximum members.
  - has no restriction on transfer of shares.
  - is not prohibited from inviting the public to subscribe to its share capital.

- (iii) **One-person Company** means a company with only one person as its member having limited liability. It is a company incorporated as a private company which has only one member.

#### 25. Stages in Formation of a Company

Steps involved in the formation of a company are

- (i) **Promotion** It involves conceiving a business opportunity and taking an initiative to form a company after exploiting the available business opportunity. The person who performs all the tasks during the promotion stage is known as promoter.

##### Steps in Promotion

(Functions of a Promoter)

- Identification of business opportunity
  - Feasibility studies (include technical, financial and economic feasibility)
  - Name approval
  - Fixing up signatories to the memorandum of association
  - Appointment of professionals
  - Preparation of necessary documents
- (ii) **Incorporation** means registration of the company as a body corporate under the Indian Companies Act, 2013 and receiving 'Certificate of Incorporation'. A private company can start its business immediately after obtaining the 'Certificate of Incorporation'.

##### Steps in Incorporation

- Filing of necessary documents
  - Payment of fees
  - Registration
  - Certificate of incorporation
- (iii) **Capital Subscription** A public company can raise funds from the public by issuing shares and debentures. For this, it has to issue a prospectus and undergo various other formalities.

##### Steps for Raising Funds from Public

- SEBI approval
- Filing of prospectus
- Appointment of bankers, brokers, underwriters
- Minimum subscription
- Application to stock exchange
- Allotment of shares

- (iv) **Commencement of Business** A public company has to apply to the Registrar of Companies for the certificate of commencement of business along with the declaration that

- Shares payable in cash have been subscribed and minimum subscription has been received.
- Every director has paid in cash the money due on his/her shares.
- No money is payable to applicants.
- The above requirements have been complied with.

The Registrar, upon satisfaction, issues Certificate of Commencement of Business. This certificate is also a conclusive evidence of completion of formation requirements.

#### 26. Important Documents used in Formation of a Company

- (i) **Memorandum of Association** This document defines the objectives of the company and its relations with the shareholders.

No company can legally undertake activities that are not contained in its Memorandum of Association.

##### Contents of Memorandum of Association

- Name Clause
- Registered Office Clause
- Objects Clause
- Liability Clause
- Capital Clause
- Association Clause

- (ii) **Articles of Association** This document contains the rules and regulations for the internal management of a company. These should not contradict anything stated in the Memorandum of Association.

- (iii) **Prospectus** A public limited company, limited by shares, must issue the prospectus to make an appeal to the public for subscription of its shares.

According to Companies Act, 2013, "a prospectus is any document that invites deposits or offers from public for the subscription or purchase of any securities of a body corporate."

# Objective Questions

## Multiple Choice Questions

1. ....is a type of business unit where a person is solely responsible for providing the capital.  
(a) Sole proprietorship  
(b) Joint hindu family business  
(c) Partnership  
(d) Cooperative societies
2. The liability of all the co-parceners except the ..... is limited to their share in the business, and consequently their risk is well-defined and precise.  
(a) karta (b) partners  
(c) members (d) shareholders
3. Partnership is the relation which subsists between persons who have agreed to combine their property, labour or skill in some business and to share the profits between them.  
(a) True (b) False  
(d) Can't say (c) Partly true
4. In a cooperative society, which of the following principle is followed?  
(a) One share one vote (b) One man one vote  
(c) No vote (d) Multiple votes
5. The documents for registration of a company were filed on 21st March, 2021. The Certificate of Incorporation was issued on 28th March, 2021. But the date mentioned on the Certificate of Incorporation was 27th March, 2021.  
From which date will the company be considered to be in existence and the contracts signed will be considered valid.  
(a) 21st March, 2021 (b) 28th March, 2021  
(c) 27th March, 2021 (d) None of these
6. A ..... partner is one whose association with the firm is unknown to the general public.  
(a) secret  
(b) active  
(c) sleeping  
(d) nominal
7. A group of five people decided to make a company and hence approached IQ Business Consultants, a professional unit for seeking appropriate advice. This company helped them in identifying the different business opportunities and suggested to set up a bags manufacturing company.  
Before converting this business opportunity into a real project, IQ Business Consultants made certain arrangements for conducting technical, financial and economic surveys.  
For this, they took the help of specialists like professional accountants, lawyers and engineers. On the basis of the given information above, what is this group of five people called as?  
(a) Underwriters  
(b) Promoters  
(c) Board of directors  
(d) Managers
8. It can continue as long as the partners want and is terminated when any partner gives a notice of withdrawal from partnership to the firm.  
(a) Partnership at will  
(b) Particular partnership  
(c) General partnership  
(d) Limited partnership

9. Match the forms of business organisation with their merits.

Column I	Column II
A. Cooperative society	(i) Confidentiality of information
B. Sole proprietorship	(ii) Increase loyalty and cooperation
C. Joint hindu family	(iii) Balanced decision-making
D. Partnership	(iv) Service motive

Codes

A	B	C	D	A	B	C	D		
(a)	(iv)	(i)	(ii)	(iii)	(b)	(i)	(ii)	(iii)	(iv)
(c)	(iv)	(iii)	(ii)	(i)	(d)	(iii)	(ii)	(i)	(iv)

10. Find out the liability of Anita in a company, who is a shareholder, holding 3,000 shares of ₹ 10 each. She has already paid ₹ 6 per share.

(a) ₹ 10,000	(b) ₹ 1,20,000
(c) ₹ 18,000	(d) ₹ 12,000

11. Suppose Amit is a shareholder in a company holding 500 shares of ₹10 each on which he has already paid ₹ 8 per share. His liability in the event of losses or company's failure to pay debts can be only up to

(a) ₹ 4,000	(b) ₹ 5,000
(c) ₹ 1,000	(d) ₹ 2,000

12. Ayushi did her post-graduation from SIS University, Ukhrul. She had offers to join some reputed firms in metropolitan cities like Delhi and Mumbai. Instead of joining any of these firms, she decided to do some creative work in Ukhrul. She observed that a special type of chilli is grown by the farmers in most of the villages in Ukhrul. This chilli has a distinct flavour and pickle made from this chilli has a taste which may be liked by people from the rest of the country. But the farmers were neither trained for

farming of this kind of chilli on a large scale nor was there a secured market for their produce. Ayushi met 15 like-minded women of the area and formed an organisation for doing the business of pickle manufacturing.

Each of them contributed ₹ 20,000 each towards its capital and were equally responsible for its management.

On one hand, they assured the farmers to purchase their chilli and on the other hand, the organisation, with the help of local agriculture department arranged for the training of the farmers.

They also employed 15 local unemployed graduate girls for doing the various operations of pickle making. Identify the kind of organisation that was formed by Ayushi.

(a) Sole proprietorship	(b) Joint hindu family
(c) Partnership	(d) Company

13. Producer's cooperative society is a society in which small farmers join together and pool their resources for cultivating their land collectively.

(a) True	(b) False
(c) Can't say	(d) Partially true

14. Match the following business organisation with their limitations.

Column I	Column II
A. Partnership	(i) Government control
B. Joint hindu family	(ii) Possibility of conflicts
C. Cooperative society	(iii) Limited resources
D. Sole proprietorship	(iv) Unlimited liability of karta

Codes

A	B	C	D	A	B	C	D		
(a)	(ii)	(iv)	(i)	(iii)	(b)	(i)	(ii)	(iii)	(iv)
(c)	(iv)	(iii)	(ii)	(i)	(d)	(ii)	(i)	(iv)	(iii)

- 15.** It is optional for a partnership firm to get registered.  
 (a) True (b) False  
 (c) Can't say (d) Partially true
- 16.** Abhishek and Nidhi want to start a shop to sell Rajasthani sweets. They did not know how to develop the agreement for this purpose. So, they approached a chartered accountant who advised them to prepare a document which may stipulate the terms and conditions of the agreement. On the basis of given information, name the document about which the chartered accountant advised Abhishek and Nidhi.  
 (a) MoA (b) AoA  
 (c) Partnership deed (d) Prospectus
- 17.** 'Return of allotment', signed by a director or secretary is filed with the registrar companies within how many days of allotment of shares?  
 (a) 15 days (b) 8 days  
 (c) 10 days (d) 30days
- 18.** A ..... has its objectives for the promotion of economic interest of its members in accordance with cooperative principles.  
 (a) sole proprietorship  
 (b) joint hindu family business  
 (c) partnership  
 (d) cooperative society
- 19.** The cooperative society is compulsorily required to be registered under the Cooperative Societies Act, ..... .  
 (a) 1912 (b) 1956  
 (c) 1932 (d) 1965
- 20.** Ashish and Nipun felt that there was an opportunity of business in providing a service of online grocery stores to working people residing in Bengaluru.

They analysed the idea in terms of technical, financial and economic feasibility. Once they found all the aspects to be satisfactory, they decided to start a company called 'Grocery At your Doorstep Private Ltd'.

They got the name registered with the registrar of companies. On the basis of the given information, identify the step in the formation of company highlighted in above case.

- (a) Promotion  
 (b) Capital subscription  
 (c) Incorporation  
 (d) Commencement

- 21.** The principle of 'one man one vote' governs the cooperative society.  
 (a) True (b) False  
 (c) Can't say (d) Partially false
- 22.** A type of business organisation where a person is individually responsible for capital, bearing risk and control of management is called ..... .  
 (a) Joint stock company  
 (b) Cooperative society  
 (c) Sole proprietorship  
 (d) Partnership
- 23.** Match the following forms the business organisation with their suitable example.

Column I	Column II
A. Sole proprietorship	(i) Jassus & Siya Book Store
B. Cooperative society	(ii) Sharma General Store
C. Private company	(iii) Idea
D. Partnership	(iv) Amul Milk Union Ltd.

**Codes**

- |     | A    | B     | C     | D    | A   | B    | C     | D     |     |
|-----|------|-------|-------|------|-----|------|-------|-------|-----|
| (a) | (i)  | (ii)  | (iii) | (iv) | (b) | (ii) | (iv)  | (iii) | (i) |
| (c) | (iv) | (iii) | (ii)  | (i)  | (d) | (ii) | (iii) | (iv)  | (i) |

**24.** The liability of members of a cooperative society is ..... to the extent of their capital contribution.  
 (a) born (b) shared  
 (c) unlimited (d) limited

**25.** Mahesh Chandra Sharma operates a business of iron and steel for the last 30 years. His family is joint and has a lot of ancestral property. All the 15 family members are a part of this business. He is the eldest male member in the family, so he heads the business. He is liable to all the creditors of the business as he is the decision-maker. Sharma's grandson was born a few days ago and he is also a member of the business.

On the basis of the given information about Mahesh Chandra Sharma, which form of business is being undertaken by Mahesh Chandra Sharma?

- (a) Partnership (b) Company  
 (c) Joint hindu family (d) Cooperative society

**26.** ..... society aims to fight against the big capitalists and enhance the bargaining power of the small producers.  
 (a) Consumer's cooperative  
 (b) Producer's cooperative  
 (c) Marketing cooperative  
 (d) Farmer's cooperative

**27.** ..... society's aim is to gain the benefits of large scale farming and increase the productivity.  
 (a) Consumer's cooperative  
 (b) Producer's cooperative  
 (c) Marketing cooperative  
 (d) Farmer's cooperative

**28.** The directors take all decisions on behalf of the shareholders, keeping in mind their own benefit. Identify the demerit stated above.  
 (a) Delay in decision-making  
 (b) Numerous regulations  
 (c) Lack of secrecy  
 (d) Oligarchic management

**29.** Anish, Anuj and Harish mutually decided to start a partnership business of manufacturing bulbs. They also decided that Harish's association with firm will not be disclosed to general public. Here, Harish will be associated with firm as a sleeping partner.  
 (a) True  
 (b) False  
 (c) Can't say  
 (d) Partially true

**30.** Match the following forms of business organisation with the minimum number of members required.

Column I	Column II
A. Public company	(i) 2
B. Sole proprietorship	(ii) 10
C. Cooperative society	(iii) 7
D. Partnership	(iv) 1

Codes

- |     |      |      |       |      |     |       |       |      |     |
|-----|------|------|-------|------|-----|-------|-------|------|-----|
|     | A    | B    | C     | D    |     | A     | B     | C    | D   |
| (a) | (i)  | (ii) | (iii) | (iv) | (b) | (iv)  | (iii) | (ii) | (i) |
| (c) | (ii) | (iv) | (iii) | (i)  | (d) | (iii) | (iv)  | (ii) | (i) |

**31.** The society aims to eliminate middlemen and improve competitive position of its members by securing a favourable market for the products.  
 (a) Consumer's cooperative societies  
 (b) Producer's cooperative societies  
 (c) Marketing cooperative societies  
 (d) Farmer's cooperative societies

**32.** Mr. Gupta, in order to promote local craftsmen of Gujarat, formed an organisation where in the persons voluntarily associate themselves to promote common economic interest. The basic purpose of this organisation was to help these craftsmen to find market for their products. It had a managing committee that was elected on the basis of 'one member one vote'.

On the basis of the given information, identify the form of business organisation set up by Mr. Gupta.

- (a) Partnership (b) Cooperative society  
(c) Joint hindu family (d) Company

**33.** The members of ..... society comprise of consumers desirous of obtaining good quality products at reasonable prices.

- (a) consumer's cooperative  
(b) producer's cooperative  
(c) marketing cooperative  
(d) farmer's cooperative

**34.** The aim of such societies is to protect the members from the exploitation of lenders who charge high rates of interest on loans. Identify the society referred here.

- (a) Consumer's cooperative societies  
(b) Producer's cooperative societies  
(c) Credit cooperative societies  
(d) Farmer's cooperative societies

**35.** The members of these societies consist of people who are desirous of procuring residential accommodation at lower costs. Identify the society referred here.

- (a) Consumer's cooperative societies  
(b) Producer's cooperative societies  
(c) Marketing cooperative societies  
(d) Cooperative housing societies

**36.** Match the following forms of business organisation on the basis of control and management.

Column I	Column II
A. Company	(i) Owner takes all decisions, quick decision-making
B. Cooperative society	(ii) Separation between ownership and management
C. Joint hindu family	(iii) Elected representative managing committee takes decisions
D. Sole proprietorship	(iv) Karta takes decisions

Codes

- |     |      |       |      |       |     |      |       |       |     |
|-----|------|-------|------|-------|-----|------|-------|-------|-----|
|     | A    | B     | C    | D     |     | A    | B     | C     | D   |
| (a) | (ii) | (iii) | (iv) | (i)   | (b) | (iv) | (iii) | (ii)  | (i) |
| (c) | (iv) | (ii)  | (i)  | (iii) | (d) | (ii) | (iv)  | (iii) | (i) |

**37.** Rohan, Shikha and Arti decide to start a business which is created by law and only law can bring it to an end. Rohan has four sons so he wants that his business should be such in which he can easily shift the ownership to his sons whenever he wants.

Shikha believes that her functions should be performed by elected representatives. Arti suggests the owners should be responsible for the losses of the business only to a limited extent. On the basis of the given information, which form of business does the above case indicate?

- (a) Joint stock company  
(b) Partnership  
(c) Cooperative society  
(d) Sole proprietorship

**38.** The company form of organisation is governed by The Companies Act, .....

- (a) 1912 (b) 2013  
(c) 1932 (d) 1965

**39.** A company is a creation of law and exists independent of its members. Identify the feature of company highlighted in the given line.

- (a) Formation  
(b) Separate legal entity  
(c) Perpetual succession  
(d) Artificial person

**40.** Which form of organisation is suitable if direct control over operations and absolute decision-making power is required in business?

- (a) Joint stock company  
(b) Cooperative society  
(c) Sole proprietorship  
(d) HUF

- 41.** Avantika wanted to pitch in to reduce the financial crisis prevailing in her house and thought of working as a cook. She started working in three different households, one Punjabi, one Gujrati and one South Indian family. She soon realised that all the three households had different cuisine.

It was indeed a challenge for her to learn the techniques of the cuisine. All the families greatly appreciated the time frame within which she had mastered the local cuisine. After working for them for a year, she decided to open a small eating joint of her own along with two of her friends by the name 'Eat point'.

They decided to share profits and losses equally and that each of them will be liable for acts performed by the other two. Soon the eatery became a hot spot because of the fusion platter which was being offered.

On the basis of the given information, identify the kind of business organisation which was set up by Avantika and her friends.

- (a) Partnership  
(b) Cooperative society  
(c) Sole proprietorship  
(d) HUF
- 42.** Contracts assigned after incorporation but before commencement of business are provisional contracts.
- (a) True (b) False  
(c) Can't say (d) Partly true
- 43.** The capital of a company is divided into number of parts, each one of which is called
- (a) Dividend (b) Profit  
(c) Interest (d) Share

- 44.** Members may come and members may go, but the company continues to exist. Identify the feature of company highlighted here.

(a) Perpetual succession  
(b) Formation  
(c) Separate legal entity  
(d) Artificial person

- 45.** Samarth Sharma was born in Delhi and is a fashion designer. He runs his hi-fashion garments business from the posh Greater Kailash market of Delhi. After running the business for eight years, Samarth feels that he should get his business registered in a way that he can save himself from the threat of unlimited liability.

But at the same time, he doesn't want anyone else to be a part of decision-making or to interfere in his business. On the basis of the given information, state the form of business organisation to be formed by Samarth.

(a) Partnership  
(b) Public company  
(c) Private company  
(d) One person company

- 46.** The shareholders do not have the right to be involved in the day-to-day functioning of the business. Which characteristic of company is highlighted here?

(a) Risk bearing  
(b) Common seal  
(c) Liability  
(d) Control

- 47.** The person or group of persons who perform the work of promotion and form a company is/are known as promoter(s).

(a) True (b) False  
(c) Can't say (d) Partially true

48. Match the following.

Column I	Column II
A. Indian Partnership Act	(i) 1912
B. Hindu Succession Act	(ii) 1932
C. Indian Companies Act	(iii) 1956
D. Cooperative Societies Act	(iv) 2013

Codes

	A	B	C	D		A	B	C	D
(a)	(i)	(iii)	(ii)	(iv)	(b)	(iii)	(ii)	(i)	(iv)
(c)	(i)	(ii)	(iii)	(iv)	(d)	(ii)	(iii)	(iv)	(i)

49. The members can be asked to contribute to the loss only to the extent of the unpaid amount of shares held by them. Identify the merit of a company highlighted here.

- (a) Risk bearing                      (b) Common seal  
(c) Liability                              (d) Control

50. After passing his 12th class with entrepreneurship as an elective subject 'Ayushman' started his own business. He invested ₹ 4,00,000 as the seed capital which was gifted to him by his father.

He obtained a loan of ₹1,00,000 from his friend Mansi, who was working as an assistant manager in Bank of Baroda. In the first year, he incurred a loss of ₹ 1,00,000 and had to pay to his suppliers, their outstanding bills. This created a financial problem for him and he had to take another loan of ₹ 1,00,000 from the Bank of Baroda on the personal guarantee of his father.

He started doing hard work, lowered the prices and informed his customers about the qualities of goods sold by him. Because of this the sales increased four times and he earned a net profit of ₹ 1,75,000 in the second year.

On the basis of the given information about Ayushman, identify the form of business organisation started by 'him'.

- (a) Partnership  
(b) Company  
(c) Sole proprietorship  
(d) Cooperative society

51. The board of directors enters into an agreement with others by indicating the company's approval through a .....

- (a) risk bearing  
(b) common seal  
(c) liability  
(d) control

52. The risk of loss gets spread over a large number of shareholders. Identify the feature of company highlighted here.

- (a) Risk bearing  
(b) Common seal  
(c) Liability  
(d) Control

53. Ashima is a sole proprietor. Over the past decade, her business has grown from operating a neighbourhood corner shop selling accessories such as artificial jewellery, bags, hair clips and nail polish to a retail chain with three branches in the city.

She looks after the varied functions in all the branches, but now she wants to change her form of business as she also has plans to open branches countrywide. She is also planning to collect the funds by issue of shares.

On the basis of the given information, which form of business is suitable for Ashima for the expansion of business?

- (a) Company  
(b) Partnership  
(c) HUF  
(d) Cooperative society

**54.** Ravi and Akshay are doing separate business of installing centralised air conditioning units in Meerut. They enter into a partnership contract to install centralised AC unit in a hotel in Roorkee. Identify the type of partnership being highlighted in the given case.

- (a) General partnership
- (b) Particular partnership
- (c) Partnership at will
- (d) None of the above

**55.** These partners take actual part in carrying out business of the firm on behalf of other partners. Identify the partner being referred here.

- (a) Active partner
- (b) Sleeping or dormant partner
- (c) Secret partner
- (d) Nominal partner

**56.** Mr. John worked as a manager in 'Northern Traders' a trading company. He decided to start his own business selling similar products. After preparing all details, he realised that he does not have sufficient funds to start business on his own. He discussed the business plan with his friend Kishan and both decided to join hands as partners.

They opened a bank account in the Indian Bank for business transactions and prepared all documents to register their business. Ranbir, John's colleague in Northern Traders also wanted to be part of business but did not want to leave a secured job.

So he decided to invest money in business but not to take active part in the activities. Ranbir used his position to inform John about the important decisions and strategies followed by Northern Traders.

The CEO of Northern Traders came to know about the conspiracy of Ranbir and terminated him from his services. On the basis of the given information, identify what type of member Ranbir is in the organisation?

- (a) Active
- (b) Dormant
- (c) Nominal
- (d) Estoppel

**57.** Registered office clause in MoA contains the legal and recognised name of the company, which has been approved by the registrar of companies.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially false

**58.** It is a new category of company introduced to encourage startups and young entrepreneurs wherein a single person can incorporate the entity. It also promotes the concept of corporatisation of the business. It is not the same as a sole proprietorship firm, in a way as it has separate legal existence with limited liability. The sole member of the company has to mention a nominee while registering the company. Which type of company is being described in the given para?

- (a) Public company
- (b) Private company
- (c) One person company
- (d) None of these

**59.** Name the form of business organisation in which the members are jointly and individually liable for payment of firm's debts.

- (a) Sole proprietorship
- (b) Partnership
- (c) Company
- (d) HUF

**60.** Name the type of partner who is not really a partner but is liable to third parties for the repayment of the firm's debts.

- (a) Sleeping
- (b) Active
- (c) Nominal
- (d) Secret

- 61.** After doing her M.Com. from 'Himachal Pradesh University of Shimla', Aparna went back to her village in Kinnaur district of Himachal Pradesh. She wanted to contribute for the development of women of her village, so she formed an organisation, the membership of which was open for all the women villagers on a voluntary basis by paying ₹ 500 only which will be treated as their capital.

Aparna knew that the land of her village was suitable for the farming of medicinal plants. So she motivated the members of her organisation for growing medicinal plants in their fields under the guidance and help of the local agricultural department.

It was also decided that the organisation will purchase the produce of each member and sell the same to drug manufacturing companies at a very good price which was not possible for the members individually. The main objective of the organisation is to render services to its members rather than to earn profit.

A computer training center for young boys and girls of the village was started under the guidance of Aparna from the surplus of the profits.

On the basis of the given information, identify the kind of organisation that was formed by her.

- (a) Cooperative society (b) Company  
(c) HUF (d) Partnership
- 62.** A ..... is one who allows the use of his/her name by a firm, but does not contribute to its capital.
- (a) active partner  
(b) sleeping or dormant partner  
(c) secret partner  
(d) nominal partner

- 63.** A person is considered a ..... partner if, through his/her own initiative, conductor behaviour, he/she gives an impression to others that he/she is a partner of the firm.

(a) active  
(b) sleeping or dormant  
(c) secret  
(d) partner by estoppel

- 64.** Indian Coffee House is a restaurant chain in India. It has strong presence across India with nearly 350 coffee houses. These are governed by managing committees elected by members. These are completely owned and managed by employees only.

These have also received appreciation and support from Government and public. The voting rights in these are neither tied to investment nor patronage. On the basis of the given information about Indian Coffee House, which form of business organisation is highlighted in the above case?

(a) Cooperative society  
(b) Company  
(c) HUF  
(d) Partnership

- 65.** A partner by.....is a person who though is not a partner in a firm but knowingly allows himself/herself to be represented as a partner in a firm.

(a) active partner  
(b) sleeping or dormant partner  
(c) secret partner  
(d) partner by holding out

- 66.** A public company publishes and files its annual accounts and reports, as it helps company to maintain secrecy.

(a) True (b) False  
(c) Can't say (d) Partially false

- 67.** ..... is the most important document as it defines the objectives of the company.  
 (a) Articles of association  
 (b) Partnership deed  
 (c) Memorandum of association  
 (d) Incorporation certificate
- 68.** ..... clause contains the name of the company with which the company will be known, which has already been approved by the registrar of companies.  
 (a) Name  
 (b) Registered office  
 (c) Objects  
 (d) Liability
- 69.** Application for approval of name of a company is to be made to  
 (a) SEBI  
 (b) Registrar of companies  
 (c) GOI  
 (d) State government in which company is registered
- 70.** ..... clause defines the purpose for which the company is formed.  
 (a) Name  
 (b) Registered office  
 (c) Objects  
 (d) Liability
- 71.** ..... clause limits the liability of the members to the amount unpaid on the shares owned by them.  
 (a) Name  
 (b) Registered office  
 (c) Objects  
 (d) Liability
- 72.** ..... clause specifies the maximum capital which the company will be authorised to raise through the issue of shares.  
 (a) Name (b) Capital  
 (c) Objects (d) Liability
- 73.** ..... defines the rules regarding internal management of a company.  
 (a) Articles of association  
 (b) Partnership deed  
 (c) Memorandum of association  
 (d) Certificate of incorporation
- 74.** The purpose of this study is to assess if the raw materials and technology required to pursue a particular business proposal are easily available.  
 (a) Economic feasibility study  
 (b) Financial feasibility study  
 (c) Technical feasibility study  
 (d) None of the above
- 75.** The ..... is a conclusive evidence of the regularity of the incorporation of a company.  
 (a) articles of association  
 (b) partnership deed  
 (c) memorandum of association  
 (d) certificate of incorporation
- 76.** A company cannot come into existence without  
 (a) electing directors  
 (b) getting certificate of incorporation  
 (c) issuing a prospectus  
 (d) All of the above
- 77.** In a joint stock company, the board of directors are elected by the .....  
 (a) government (b) customers  
 (c) shareholders (d) promoter
- 78.** The liability of a shareholders is limited to the extent of the amount ..... on the shares held by them.  
 (a) paid (b) unpaid  
 (c) re-paid  
 (d) None of the above
- 79.** At which stage in the formation of a company does it interact with the SEBI?  
 (a) Promotion (b) Incorporation  
 (c) Capital subscription (d) Commencement

**80.** Name the process by which the shares of a company are allowed to be traded on a stock exchange.

- (a) Trading on shares
- (b) Listing of shares
- (c) Mutualisation of shares
- (d) None of the above

**81.** ..... cooperative society is formed by consumers for obtaining good quality products at reasonable prices.

- (a) Consumers
- (b) Producers
- (c) Marketing
- (d) Farmers

### Assertion-Reasoning MCQs

**Direction** (Q.Nos. 82 to 86) *There are two statements marked as Assertion (A) and Reason (R). 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 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

**82. Assertion (A)** The managing committee elected by members of the cooperative society is generally not professionally equipped to handle the management functions effectively.

**Reason (R)** Cooperative society is unable to employ experts because of their inability to pay them high salaries.

**83. Assertion (A)** Timely decisions of sole proprietor help him/her to take advantage of market opportunities as and when they arise.

**Reason (R)** Sole proprietorship can be easily started or dissolved at any time with minimum legal formalities.

**84. Assertion (A)** Board of directors exercise direct control over the business.

**Reason (R)** Board of directors are the owners of the company.

**85. Assertion (A)** Personal assets of the partners may be used to pay-off business debts in case of insufficiency of business assets.

**Reason (R)** Partners of a firm have unlimited liability.

**86. Assertion (A)** Credit cooperative societies are established for providing easy credit on reasonable terms to the members.

**Reason (R)** Credit cooperative societies provide loans to members out of the amounts collected as capital and deposits from the members and charge low rates of interest.

### Case Based MCQs

**Direction** *Read the following case study and answer questions 87 to 91 on the basis of the same.*

Miss Jyoti, Rishi and Vijay are running a firm in partnership. The main objective of their firm is to make a high quality wheat available to the public at a cheap rate.

A special characteristic of this firm is that the liability of all the partners is unlimited. The second special characteristic of the firm is that Miss Jyoti has a capital investment in the company.

She gets the share in profit and loss as well as remains active in management. But the outsiders are not aware of her being a partner. Mr Rishi spends more time than the other partners in business.

This is the very reason that he gets ₹ 1 lakh extra on account of his salary per month.

Vijay introduced capital in the business but does not take part in the management of the company. The business of the firm is growing fast. With the increase in size of the business, the number of partners is also increasing. By now, its number has reached 20.

- 87.** Identify the type of partnership highlighted in the given case.
- General partnership
  - Limited partnership
  - Partnership at will
  - Particular partnership
- 88.** Which of the following types of partners is Miss Jyoti?
- Active partner
  - Sleeping partner
  - Secret partner
  - Nominal partner
- 89.** Identify the agreement on the basis of which Rishi gets his salary.
- Partnership deed
  - Memorandum of association
  - Both (a) and (b)
  - None of the above
- 90.** Which of the following type of partner is Vijay?
- Active
  - Sleeping
  - Secret
  - Estoppel
- 91.** Which of the following types of partners is Mr. Rishi?
- Active partner
  - Sleeping partner
  - Secret partner
  - Nominal partner

**Direction** Read the following case study and answer questions 92 to 96 on the basis of the same.

Some of the people of Dwarkapuri unitedly established a cooperative society. Its objective was to purchase the goods of daily consumption directly from the producers and sell to the members. By doing so, now they are getting goods of a high quality at a reasonable rate. In the proximity of Dwarkapuri, there is an industrial area in which there are several small producers.

They are struggling against the problem of procuring the raw material at a reasonable rate and selling the produced goods at a reasonable rate.

Some prudent producers consulted all of them and established a cooperative society. This society resolved the problems of the producers related to buying and selling.

Similarly, in Nand Nagri too, there are several such people which produce several goods in small-small quantities. Some big buyers buy their goods at cheap rates and sell them at high rates in the market. They earn huge profits. Small producers also made a society in order to get rid of their clutches and heaved a sigh of relief.

In Nand Nagri itself, there live a large number of people whose financial position is poor. Usually, they borrow money from the rich at a high rate of interest. They also formed a society which fully succeeded in making them get rid of the clutches of the rich.

- 92.** Which form of business organisation is discussed in the above case?
- Joint stock company
  - Cooperative organisation
  - Partnership
  - Sole proprietorship
- 93.** Identify the cooperative society established by the people of Dwarkapuri.
- Cooperative Credit Society
  - Marketing Cooperative Society
  - Producers' Cooperative Society
  - Consumers' Cooperative Society
- 94.** Tell the name of the cooperative society established by the producers of the industrial area located in the proximity of Dwarkapuri.
- Cooperative Credit Society
  - Marketing Cooperative Society
  - Producers' Cooperative Society
  - Consumers' Cooperative Society

**95.** Name the cooperative society formed by the producers of Nand Nagri in order to solve their problem.

- (a) Cooperative Credit Society
- (b) Marketing Cooperative Society
- (c) Producers' Cooperative Society
- (d) Consumers' Cooperative Society

**96.** Identify the society formed by the financially poor people of Nand Nagri.

- (a) Cooperative Credit Society
- (b) Marketing Cooperative Society
- (c) Producers' Cooperative Society
- (d) Consumers' Cooperative Society

**Direction** Read the following case study and answer questions 97 to 101 on the basis of the same.

The whole family of Rama Narayan is busy in a special kind of business. They are running a business organisation which is found only in India. Except Rama Narayan, the liability of all the other members is limited. Rama has a friend whose name is Mr Maya.

He is also running a special kind of business. He has established a company in which he is the only shareholder. In other words, he himself has invested the whole capital. He has nominated his wife in the company.

Mr Maya has two sons, Krishna and Shayam. Krishna has completed his studies of M.B.A. and Shayam, his engineering studies. Krishna has been selected for the post of finance manager in a company.

A special characteristic of his company is that there is a ban on the transfer of its shares. On the other hand, Shayam, too has been selected for the post of production manager in another company.

At the time of his interview, Shayam made a special observation that out of the total number of seven of his interviewers, five of them were directors of the company.

**97.** Identify the business organisation being run by Rama Narayan.

- (a) Partnership
- (b) One person company
- (c) Joint hindu family business
- (d) Private company

**98.** Identify the company being run by Mr Maya.

- (a) Partnership
- (b) One person company
- (c) Joint hindu family business
- (d) Private company

**99.** Identify Mr Krishna's company, in which he is selected for the post of finance manager.

- (a) Public company
- (b) One person company
- (c) Private company
- (d) None of the above

**100.** To which class does Mr Shayam's company belong?

- (a) Public company
- (b) One person company
- (c) Private company
- (d) None of the above

**101.** What term is used for Rama Narayan in his business?

- (a) Owner
- (b) Member
- (c) Karta
- (d) Partner

**Direction** Read the following case study and answer questions 102 to 106 on the basis of the same.

Madhu, Himanshu and Ashu after completing B.E. in civil engineering have jointly taken a project of constructing three government school buildings in a village near Agra, within the time period of 6 months. As per the written agreement between them, only Madhu and Ashu will contribute the capital, take all managerial decisions and Himanshu will contribute capital only but will not be actively involved in management.

**102.** Himanshu will contribute capital only but will not be actively involved in management. What type of partner Himanshu is?

- (a) Active
- (b) Dormant
- (c) Nominal
- (d) Secret

**103.** Specify the kind of partnership mentioned above.

- (a) Limited partnership
- (b) Particular partnership
- (c) Partnership at will
- (d) General partnership

**104.** Identify the document which defines the terms and conditions of such partnership.

- (a) MoU
- (b) MoA
- (c) Partnership deed
- (d) Partnership registration

**105.** If the partners are not able to complete the project effectively and efficiently, then who will be held liable for the losses for non-completion of the project?

- (a) Madhu
- (b) Himanshu
- (c) Both Madhu and Mayank
- (d) All three of them

**106.** What type of partner Madhu and Ashu are?

- (a) Active
- (b) Dormant
- (c) Nominal
- (d) Secret

**Direction** Read the following case study and answer questions 107 to 111 on the basis of the same.

Unlike a partnership or a proprietorship firm, this form of business organisation is separate from its owners.

It is a separate legal entity and no single member is liable for such an organisation's activities.

Such a firm will not depend on any owner or shareholder to decide its future course of action.

Irrespective of members come and go; shares are bought and sold, dividends are earned and distributed; such a form of business organisation goes on. It is managed democratically, by the representatives chosen from the shareholders.

**107.** Identify the form of business organisation highlighted in the above case.

- (a) Partnership
- (b) Cooperative organisation
- (c) Joint stock company
- (d) Sole proprietorship

**108.** “This form of business organisation is separate from its owners”, which characteristics of above mentioned business is highlighted in the lines?

- (a) Perpetual succession
- (b) Separate legal entity
- (c) Artificial person
- (d) Profit sharing

**109.** “Irrespective of members come and go; shares are bought and sold, dividends are earned and distributed; such a form of business organisation goes on”, which characteristics of above mentioned business is highlighted in the lines?

- (a) Perpetual succession
- (b) Separate legal entity
- (c) Artificial person
- (d) Profit sharing

**110.** “It is managed democratically, by the representatives chosen from the shareholders”. ..... are chosen by the shareholders.

- (a) promoters
- (b) underwriters
- (c) board of directors
- (d) managers

**111.** Such business organisation is created by .....

- (a) owners
- (b) shareholders
- (c) board of directors
- (d) law

## ANSWERS

### Multiple Choice Questions

1. (a) 2. (a) 3. (a) 4. (b) 5. (c) 6. (a) 7. (b) 8. (a) 9. (a) 10. (d)  
 11. (c) 12. (c) 13. (b) 14. (a) 15. (a) 16. (c) 17. (d) 18. (d) 19. (a) 20. (a)  
 21. (a) 22. (c) 23. (b) 24. (d) 25. (c) 26. (b) 27. (d) 28. (d) 29. (b) 30. (d)  
 31. (b) 32. (b) 33. (a) 34. (c) 35. (d) 36. (a) 37. (a) 38. (b) 39. (b) 40. (c)  
 41. (a) 42. (a) 43. (d) 44. (a) 45. (d) 46. (d) 47. (a) 48. (d) 49. (c) 50. (c)  
 51. (b) 52. (a) 53. (a) 54. (b) 55. (a) 56. (b) 57. (b) 58. (c) 59. (b) 60. (c)  
 61. (a) 62. (d) 63. (d) 64. (a) 65. (d) 66. (b) 67. (c) 68. (a) 69. (b) 70. (c)  
 71. (d) 72. (b) 73. (a) 74. (c) 75. (d) 76. (b) 77. (c) 78. (b) 79. (c) 80. (b)  
 81. (a)

### Assertion-Reasoning MCQs

82. (a) 83. (b) 84. (c) 85. (a) 86. (a)

### Case Based MCQs

87. (a) 88. (c) 89. (a) 90. (b) 91. (a) 92. (b) 93. (d) 94. (c) 95. (b) 96. (a)  
 97. (c) 98. (b) 99. (c) 100. (a) 101. (c) 102. (b) 103. (b) 104. (c) 105. (d) 106. (a)  
 107. (c) 108. (b) 109. (a) 110. (c) 111. (d)

## EXPLANATIONS

- 5.** Whatever the date mentioned in the certificate is treated as the date of incorporation.
- 10.** Liability of Anita in a company is ₹12,000 ( $3,000 \times 4$ ).
- 11.** Liability of Amit is ₹ 1,000 ( $500 \times 2$ ).
- 12.** “Each of them contributed ₹ 20,000 each towards its capital and were equally responsible for its management”. These lines indicate that this business is partnership firm.
- 13.** Farmer’s cooperative society is a society in which small farmers join together and pool their resources for cultivating their land collectively.
- 29.** In the given case, Harish will be working as a secret partner.
- 32.** Cooperative organisations are those organisations where persons voluntarily associate themselves for common economic interest.
- 37.** Joint stock company is the only form of organisation which is created by law.
- 40.** In sole proprietor business, only one person is there, who alone takes every decision and control all the activities of the business.
- 41.** “They decided to share profits and losses equally and that each of them will be liable for acts performed by the other two”.  
 These lines indicate that this business is a partnership business.
- 44.** Perpetual succession means continuity of the business. It’s existence is not affected by death, insolvency, coming or going of the members.
- 53.** Company is suitable for Ashima because she wants to raise funds by issue of shares.
- 56.** “So he decided to invest money in business but not to take active part in the activities”. These lines indicate that he is a dormant partner.
- 57.** Registered office clause shows name of the state in which the office of the company is located.
- 66.** According to Companies Act, a public company is required to publish and file its annual accounts and reports, due to which it leads to lack of secrecy.
- 83.** Sole proprietor can take timely decision and get benefit of opportunities because he is not required to take permission from anyone.
- 84.** Board of directors are not the actual owners of the company. They are appointed by shareholders.

# 03

## Private, Public and Global Enterprises

### Quick Revision

#### 1. Private Sector and Public Sector

**Enterprises** Indian economy consist of both privately owned and government owned business enterprises therefore, it is known as mixed economy. The economy, therefore, may be classified into two sectors viz, private sector and public sector.

**Private sector** includes all those enterprises which are owned and managed by individuals or group of individuals. The various forms of organisation are sole proprietorship, partnership, joint hindu family, cooperative society and company.

**Public sector** includes all those organisations which are owned and managed partly or wholly by Central or State government or by both. The organisations may also be a part of the ministry or come into existence by a Special Act of the Parliament. The government, through these enterprises participates in the economic activities of the country.

2. **Departmental Undertakings** are the oldest and most traditional form of public enterprises. It is under the control of concerned minister of the department, who is answerable to government through Parliament.

It is financed by the government budget and all activities performed by it are an integral part of government functioning.

They have not been constituted as autonomous or independent institutions. They act through the offices of the government and its employees are government employees.

#### 3. Features of Departmental Undertakings

- (i) Funding of these enterprises comes directly from the government treasury and an annual appropriation for them is made in the budgets of the government.
- (ii) They are subject to accounting and audit controls applicable to other government activities.
- (iii) Employees of the enterprise are government servants and they are headed by civil servants and Indian Administrative Service (IAS) officers.
- (iv) They are considered as major sub-divisions of government departments and subject to direct control of the ministry.
- (v) They are accountable to ministry as their management is directly under the concerned ministry.

#### 4. Merits of Departmental Undertakings

- (i) These undertakings facilitate the Parliament to exercise effective control over their operations.
- (ii) These ensure a high degree of public accountability.

- (iii) Revenue earned by these enterprises goes directly to the government treasury. Thus, these undertakings help in increasing the government revenue.
- (iv) Where national security is concerned, this form is most suitable as it is under the direct control and supervision of the concerned ministry.

#### 5. Limitations of Departmental Undertakings

- (i) These undertakings fail to provide flexibility, which is essential for the smooth operations of business.
- (ii) The employees or heads of the departments of such undertakings are not allowed to take independent decisions, without the approval of the ministry concerned. This leads to delay in decision-making.
- (iii) These undertakings are unable to take advantage of business opportunities due to bureaucrat's over-cautious and conservative approval which does not allow them to take risky ventures.
- (iv) There is red tapism in day-to-day operations and no action can be taken unless it goes through the proper channels of authority.
- (v) Lot of political interference through the ministry unduly affects the working of the public enterprises.
- (vi) Such enterprises are insensitive to consumer needs and do not provide adequate services.

6. **Statutory Corporations** are created by Special Act of Parliament or state legislature. The act defines their powers and functions, rules and regulations governing them and its relationship with government departments. These have a separate legal existence and have the capacity of acting in its own name. They have the power of governance as well as considerable amount of operational flexibility like private enterprises.

#### 7. Features of Statutory Corporations

- (i) They are formed by a Special Act of Parliament and governed by provisions of the Act. The Act defines their objects, powers and privileges.
- (ii) This organisation is wholly owned by the state.

- (iii) This organisation can sue and be sued, enter into contracts and acquire property in its own name as it has the status of body corporate.
- (iv) This organisation is independently financed. It obtains funds by borrowings from the government or from public through revenues generated by sale of goods and services. It has the authority to use its revenues.
- (v) This organisation is not subject to the same accounting and audit procedures applicable to government departments. It is also not concerned with the central budget of the government.
- (vi) The employees of such enterprises are not government or civil servants. Their conditions, procedures, rules and regulations of work are prescribed under the provisions of the Act itself.

#### 8. Merits of Statutory Corporations

- (i) They are free from undue interference from government control. Thus, they enjoy freedom in functioning and have operational flexibility.
- (ii) As they are not financed from central budget, the government does not interfere in their financial matters.
- (iii) Due to autonomous set up, they have their own rules and regulations, policies and procedures for their independent functioning. But the Act may provide few matters and issues which require approval from particular ministry.
- (iv) With a combination of initiative of private enterprises and power of government, they prove to be of value in economic development.

#### 9. Limitations of Statutory Corporations

- (i) Autonomy exists on papers only. In reality, all operations and actions are subject to many rules and regulations.
- (ii) Government and political interference has always been there in major decisions, especially where huge funds are involved.
- (iii) Government often appoints advisors to the Corporation Board.

This affects the freedom in decision-making and leads to disagreements which further delay the decision.

- (iv) Corruption is rampant in these corporations, as the officials may misuse their autonomy and indulge in unfair practices.

**10. Government Company** is registered and governed by the provisions of the Indian Companies Act. It is established for purely business purpose and in true spirit competes with companies in the private sector.

According to the Section 2(45) of the Companies Act, 2013, a government company means any company in which not less than 51% of the paid-up capital is held by the central or state government or both and includes a company which is a subsidiary of a government company.

#### 11. Features of Government Company

- (i) This organisation is incorporated under the Companies Act, 2013 or any other previous company law.
- (ii) The company can file a suit in court of law against any third party and be sued.
- (iii) The company can enter into a contract and can acquire property in its own name.
- (iv) Management of the company is regulated by the provisions of the Companies Act.
- (v) Employees of the company are appointed according to the rules and regulations as provided under the Memorandum and Articles of Associations of the company.
- (vi) This organisation is exempted from the accounting and audit rules and procedures. However, an auditor is appointed by the

Central Government and an annual report is to be presented in Parliament/State Legislature.

- (vii) This organisation obtains its funds from government shareholding and can also raise the funds from the capital market.

#### 12. Merits of Government Company

- (i) This company can be established by fulfilling the requirements of the Indian Companies Act. No separate Act in Parliament is required.
- (ii) It is relatively free from government and political interference. It can function freely and smoothly under the general vigilance of the government.
- (iii) It has a separate legal entity.
- (iv) It provides goods and services to consumers at a reasonable price. It helps to control market and curb unhealthy business practices.

#### 13. Limitations of Government Company

- (i) Government is the only shareholder in some of the companies. Thus, provisions of the Companies Act do not have much relevance.
- (ii) A government company evades constitutional responsibility, as it is not answerable directly to Parliament for non-performance of duties.
- (iii) 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.

# Objective Questions

## Multiple Choice Questions

1. A public sector company is incurring heavy losses and government proposes for closing the same. Which term is related to this statement?  
(a) Disinvestment (b) Privatisation  
(c) Demonetisation (d) Socialisation
2. In your neighbourhood market, there are shops owned by sole proprietors or big retail organisations run by a company. They belong to which sector?  
(a) Public (b) Private (c) Social (d) Mixed
3. In India, railway is an organisation wholly owned and managed by the .....  
(a) reliance (b) tata  
(c) government (d) railway department
4. Indian economy is a ..... kind of economy.  
(a) global (b) mixed  
(c) capitalist (d) socialist
5. Which of the following is not a type of public sector enterprise?  
(a) Joint hindu family business  
(b) Departmental undertaking  
(c) Statutory corporation  
(d) Government company
6. Public sector organisations may either be partly or wholly owned by the ..... government.  
(a) state (b) central  
(c) foreign (d) central or state
7. Some organisations are directly attached to a particular ministry of the central or state government and are under the direct control of the concerned minister.  
The business decisions are thus influenced by political consideration. State the type of enterprise come under this category.  
(a) Statutory corporation  
(b) Government company  
(c) Departmental undertaking  
(d) None of the above
8. Departmental undertaking is a form of public sector enterprise which is most suitable for operations where national security is concerned.  
(a) True  
(b) False  
(c) Can't say  
(d) Partially true
9. Which policy was launched by Government of India in 1991?  
(a) JPG (b) GST  
(c) LPG (d) MPG
10. Which of the following has the power of the government and the considerable amount of operating flexibility of private enterprises?  
(a) Departmental undertakings  
(b) Statutory corporations  
(c) Government companies  
(d) All of the above
11. Public sector enterprises are accountable to public through .....  
(a) parliament (b) government  
(c) public (d) media
12. Which is the oldest and most traditional form of organising public enterprises?  
(a) Statutory corporation  
(b) Public company  
(c) Government company  
(d) Departmental undertaking

**13.** An organisation is working for the purpose of public welfare as a ministry of government. It is financed by government and all its income is deposited in government treasury. Identify which kind of public sector enterprise is it?

- (a) Partnership
- (b) Departmental undertaking
- (c) Sole proprietorship
- (d) Company

**14.** As India has adopted the framework of capitalist economy, thus all business organisations can be grouped as privately owned and government owned organisations.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially true

**15.** If a public sector enterprise is making losses continuously, it was referred to the .....

- (a) GIFR
- (b) CIFR
- (c) TIFR
- (d) BIFR

**16.** Government of India establishes its enterprises in backward areas. By doing this, which objective is fulfilled?

- (a) Economies of scale
- (b) Regional balance
- (c) Development of infrastructure
- (d) Import substitution

**17.** Which of the following roles are played by the public sector in the economy?

- (i) Regional balance
- (ii) Economies of scale
- (iii) Check over concentration of economic power
- (iv) Import substitution
- (v) Development of infrastructure

- (a) Only (i), (ii) and (iv)
- (b) Only (i), (iii), (iv) and (v)
- (c) Only (i), (ii), (iii) and (v)
- (d) All of the above

**18.** Statutory corporations are formed by a Special Act of Parliament. The Act defines their powers, objects and privileges.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially false

**19.** Which government enterprise is registered under Indian Companies Act, 2013?

- (a) Departmental undertaking
- (b) Public corporation
- (c) Government company
- (d) Partnership companies

**20.** The private sector consists of business owned by .....

- (a) state government
- (b) central government
- (c) individuals or group of individuals
- (d) ministers

**21.** Match the 'forms of public enterprises' in column I with their respective forming statement in column II.

Column I	Column II
A. Departmental undertaking	(i) Department of Ministry
B. Statutory corporation	(ii) Indian Companies Act, 2013
C. Government company	(iii) Special Act of the Parliament

Codes

- |     |     |       |       |     |      |       |       |
|-----|-----|-------|-------|-----|------|-------|-------|
|     | A   | B     | C     |     | A    | B     | C     |
| (a) | (i) | (iii) | (ii)  | (b) | (ii) | (iii) | (i)   |
| (c) | (i) | (ii)  | (iii) | (d) | (ii) | (i)   | (iii) |

**22.** Conversion of a PSU into a private sector enterprise is termed as .....

- (a) Globalisation
- (b) De-urbanisation
- (c) Privatisation
- (d) Liberalisation

**23.** Navratan Ltd. is a company engaged in the production and distribution of heavy electrical goods. Pattern of shareholding in the company is as follows

- (i) Government of India 15%
- (ii) Government of Bihar 26%
- (iii) Government of Assam 10%
- (iv) General Public 49%

Navratan Ltd. can be classified as which of the following?

- (a) Small company
- (b) Government company
- (c) Private company
- (d) None of the above

**24.** How many industries are now reserved for public sector?

- (a) 2
- (b) 3
- (c) 4
- (d) 17

**25.** Statutory corporation is subject to the government rules and regulations in the matter of accounting, budgeting and audit as applicable to departmental undertaking.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially true

**26.** Match the 'forms of public enterprises' in column I with their respective example in column II.

Column I	Column II
A. Statutory corporation	(i) Railway
B. Government company	(ii) Reserve Bank of India
C. Departmental undertaking	(iii) National Fertilisers Ltd.

Codes

- |     |     |       |       |     |       |       |      |
|-----|-----|-------|-------|-----|-------|-------|------|
|     | A   | B     | C     |     | A     | B     | C    |
| (a) | (i) | (ii)  | (iii) | (b) | (iii) | (i)   | (ii) |
| (c) | (i) | (iii) | (ii)  | (d) | (ii)  | (iii) | (i)  |

**27.** Grow Co. Ltd., registered under the Companies Act, 2013, was started with a paid-up capital of ₹ 10,00,000. 40% of this paid-up capital is in the hands of private individuals and the balance is held by the government of Chennai. Grow company belongs to which form of public sector enterprises?

- (a) Statutory corporation
- (b) Government company
- (c) Departmental undertaking
- (d) None of the above

**28.** Public Ltd. company comes under which sector?

- (a) Public sector
- (b) Joint sector
- (c) Private sector
- (d) None of these

**29.** Public sector can be classified into ..... divisions.

- (a) 3
- (b) 4
- (c) 5
- (d) 6

**30.** Which PSU was the first to be privatised successfully in India?

- (a) LJMC
- (b) GAIL
- (c) ONGC
- (d) BHEL

**31.** Private enterprises are accountable to the public through the Parliament.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially true

**32.** Government has given autonomy to a PSU to improve its performance but held it accountable for specified results under an agreement. What is this agreement called?

- (a) MoA
- (b) AoA
- (c) MoU
- (d) GoU

**33.** ..... form of PSU has the greatest autonomy.

- (a) Departmental undertakings
- (b) Public corporation
- (c) Government company
- (d) None of the above

- 34.** Statutory corporation is a company in which minimum 51% of the paid-up capital is held by the State or the Central Government.
- (a) True (b) False  
(c) Can't say (d) Partially true
- 35.** Strategic industries like defence and atomic power work as .....
- (a) departmental undertaking  
(b) statutory corporation  
(c) government company  
(d) None of the above
- 36.** Airtel is a big company providing telecom services to millions of people in India. Similarly, BSNL also provides telecom services to many people. Government of India is holding 100% of the share capital of BSNL, whereas Airtel is not under the direct control of government. Identify the sectors in which Airtel and BSNL enterprises are working.
- (a) Public and private (b) Public  
(c) Private (d) None of these
- 37.** .... type of PSUs has the highest degree of political interference.
- (a) Public corporation  
(b) Departmental undertaking  
(c) Government company  
(d) None of the above
- 38.** The Reserve Bank of India (RBI) was established under a Special Act of the Parliament, that lays down the objects, powers and functions of the corporation.

It was established on 1st April, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. RBI formulates, implements and monitors the monetary policy and its main objective is to maintain price stability while keeping in mind the objective of growth.

How will you classify the Reserve Bank of India as a form of public sector enterprise?

- (a) Departmental undertaking  
(b) Statutory corporations  
(c) Government company  
(d) None of the above

- 39.** Disinvestment of PSUs implies
- (a) sale of equity shares to public  
(b) investing in new areas  
(c) buying shares of PSUs  
(d) closing down private sector enterprise
- 40.** Which of the following is true about statutory corporations?
- (a) Statutory corporations are public enterprises that come into existence by a Special Act of the Parliament.  
(b) Statutory corporations are subject to the same accounting and audit procedures as are applicable to government departments.  
(c) Statutory enterprises are funded directly by the government treasury.  
(d) The employees of statutory enterprises are civil servants.
- 41.** Departmental undertaking evades constitutional responsibility, as it is not answerable directly to Parliament for non-performance of duties.
- (a) True  
(b) False  
(c) Can't say  
(d) Partially false
- 42.** New economic policy was passed in the year .....
- (a) 1985 (b) 1993  
(c) 1991 (d) 1980
- 43.** The Ministry of Railways is a ministry in the Government of India, responsible for the country's rail transport. The ministry is headed by the minister of railways, a cabinet-level minister who presents the rail budget every year in Parliament.

Indian railways is financed by the government through allocation of funds in the annual general budget of Parliament. How will you categorise Indian Railways as a form of public sector enterprise?

- (a) Private company
- (b) Government company
- (c) Departmental undertaking
- (d) None of the above

**44.** Which form of PSU has its own MoA and AoA?

- (a) Private company
- (b) Government company
- (c) Departmental undertaking
- (d) None of the above

**45.** .....is financed by the government through allocation of funds in the Annual General Meeting.

- (a) Departmental undertaking
- (b) Statutory corporation
- (c) Government company
- (d) None of the above

**46.** Which of the following enterprises has separate legal entity?

- (a) Departmental undertaking
- (b) Statutory corporation
- (c) Government company
- (d) None of the above

**47.** A government company is any company in which the paid up capital held by the government is not less than

- (a) 49 percent
- (b) 51 percent
- (c) 50 percent
- (d) 25 percent

**48.** Which of the following statements regarding recent government policy measures towards the public sector is/are true?

- (i) Restructuring and reviving potentially viable PSUs.
- (ii) Closing down of those PSUs that cannot be revived.

(iii) Bringing down government equity in all non-strategic PSUs to 50 percent or lower.

(iv) Fully protecting the interest of workers.

- (a) (i), (ii) and (iii)
- (b) (i), (iii) and (iv)
- (c) (i), (ii) and (iv)
- (d) (ii), (iii) and (iv)

**49.** In the 2001 resolution on industrial policy, the number of industries exclusively reserved for the public sector was brought down.

This meant that the private sector can now enter all areas, except these and the public sector would have to compete with them. Which of the following areas are now exclusive for the public sector?

- (i) Atomic energy
- (ii) Arms
- (iii) Communication
- (iv) Railways

- (a) (i), (ii) and (iii)
- (b) (i), (iii) and (iv)
- (c) (i), (ii) and (iv)
- (d) (ii), (iii) and (iv)

**50.** The public sector enterprises are to invest and operate in certain spheres. Which of the following is not one of these core sectors?

- (a) Civil aviation
- (b) Pharmaceuticals
- (c) Power generation plants
- (d) Project management consultancies

**51.** The shares of a government company are purchased in the name of which of the following?

- (a) The Indian Government
- (b) The President of India
- (c) The Chief Minister of the state, where the head office of the company lies
- (d) The Managing Director of the company

**52.** In a survey conducted by Government of India, it was found that many farmers of the country are unable to secure loan for their agricultural needs.

Keeping this in mind, the government decided to form a public enterprise under a Special Act of the Parliament, which will be free from government interference and will have financial and operational autonomy.

Which type of public enterprise would you suggest to the government?

- (a) Departmental undertaking
- (b) Statutory corporation
- (c) Government company
- (d) None of the above

**53.** The telecom services have been recognised in the world-over as an important tool for socio-economic development for a nation and hence telecom infrastructure is treated as a crucial factor to realise the socio-economic objectives in India.

Accordingly, the Department of Telecom has been formulating developmental policies for the accelerated growth of the telecommunication services. The department comes under the Ministry of Communications and is headed by a cabinet-level minister.

It is financed by the government through allocation of funds in the Annual General Budget of Parliament. Which type of public sector enterprise highlighted here?

- (a) Departmental undertaking
- (b) Statutory corporation
- (c) Government company
- (d) None of the above

**54.** Steel Authority of India Limited (SAIL) is one of the largest steel-making companies in India and one of the Maharatnas of the country's Central Public Sector Enterprises.

Vision of SAIL is to be a respected world class corporation and the leader in Indian steel business in quality, productivity, profitability and customer satisfaction.

SAIL was incorporated on 24th January, 1973 with an authorised capital of ₹ 2,000 crore and was made responsible for managing five integrated steel plants at Bhilai, Bokaro, Durgapur, Rourkela and Bumpur, the Alloy Steel Plant and the Salem Steel Plant.

As government is the majority shareholder (with 75% stake), it exercises control over affairs of the company. Which type of public sector enterprise is highlighted here?

- (a) Departmental undertaking
- (b) Statutory corporation
- (c) Government company
- (d) None of the above

**55.** Match the following.

Column I	Column II
A. Departmental undertaking	(i) Steel authority of India Ltd.
B. Statutory corporation	(ii) Life Insurance corporation
C. Government company	(iii) Post and telegraph

**Codes**

- |     |      |       |       |  |     |       |       |      |
|-----|------|-------|-------|--|-----|-------|-------|------|
|     | A    | B     | C     |  | A   | B     | C     |      |
| (a) | (i)  | (ii)  | (iii) |  | (b) | (iii) | (ii)  | (i)  |
| (c) | (ii) | (iii) | (i)   |  | (d) | (i)   | (iii) | (ii) |

### Assertion-Reasoning MCQs

**Direction** (Q.Nos. 56 to 59) *There are two statements marked as Assertion (A) and Reason (R). 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 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

**56. Assertion (A)** Departmental undertaking is most suitable when national security is concerned.

**Reason (R)** Departmental undertaking is established under a Special Act of the Parliament.

**57. Assertion (A)** Statutory corporation is usually independently financed.

**Reason (R)** The revenue earned by statutory corporation is a source of income for the government as it goes directly to the treasury.

**58. Assertion (A)** There is a need for separate legislation of the Parliament for formation of government company.

**Reason (R)** Government company can be established by fulfilling requirements of the Indian Companies Act.

**59. Assertion (A)** Departmental undertakings are unable to take benefit of business opportunities.

**Reason (R)** Departmental undertakings do not undertake risky ventures due to bureaucrat's over cautious and conservative approach.

### Case Based MCQs

**Direction** *Read the following case study and answer questions 60 to 64 on the basis of the same.*

Sahil, Sarika, Saroj and Sunder are best friends. All of them have obtained the degree in Commerce from the same college. But they got admission in different courses in the university. Now they are doing their jobs in different departments.

Mr Sahil got selected for the post of Inspector in the Railways. His father too is working in the railways on a high post. Miss Sarika got selected in the Reserve Bank of India for the post of a Manager. The whole bank is most appreciative of her style of working. Miss Saroj is working on the post of Assistant Accountant in the department of accounts in 'Hindustan Machine Tools'. Her recognition in the company is as a specialist in accounts. Mr Sunder is successfully working in the H.R. Department of 'Tata Motors'. All the four friends are fully satisfied with their respective jobs.

**60.** Identify the type of Mr Sahil's enterprise.

- (a) Departmental undertaking
- (b) Government company
- (c) Private sector enterprise
- (d) Statutory corporation

**61.** Identify the type of enterprise in which Miss Sarika is working.

- (a) Departmental undertakings
- (b) Government company
- (c) Private sector enterprise
- (d) Statutory corporation

**62.** Identify the type of company in which Miss Saroj is working.

- (a) Departmental undertakings
- (b) Government company
- (c) Private sector enterprise
- (d) Statutory corporation

**63.** Identify the type of company in which Mr Sunder is working.

- (a) Departmental undertakings
- (b) Government company
- (c) Public sector enterprise
- (d) Statutory corporation

**64.** Identify the type of Mr Sahil's father enterprise.

- (a) Departmental undertakings
- (b) Government company
- (c) Private sector enterprise
- (d) Statutory corporation

**Direction** Read the following case study and answer questions 65 to 69 on the basis of the same.

Bharat Heavy Electricals Limited (BHEL) owned and founded by the Government of India, is an engineering and manufacturing company based in New Delhi, India. It was established in 1964. BHEL is India's largest power generation equipment manufacturer. It is managed by the board of directors nominated by the government. As government is the majority shareholder, it exercises control over the affairs of the company.

**65.** How will you classify BHEL as a form of public sector enterprise?

- (a) Departmental undertakings
- (b) Government company
- (c) Private sector enterprise
- (d) Statutory corporation

**66.** BHEL was formed according to which Act?

- (a) Partnership Act
- (b) Hindu Succession Act
- (c) Companies Act
- (d) Cooperative Societies Act

**67.** The board of directors of the company are appointed by

- (a) government
- (b) public
- (c) shareholders
- (d) None of these

**68.** "As government is the majority shareholder, it exercises control over the affairs of the company." Which feature of government company highlighted in the given lines?

- (a) Formation
- (b) Ownership
- (c) Separate legal entity
- (d) Audit procedure

**69.** Capital of such corporations comes from .....

- (a) Board of Directors
- (b) Government
- (c) RBI
- (d) None of these

**Direction** Read the following case study and answer questions 70 to 74 on the basis of the same.

Indian railway is a part of railway ministry. It is organised, financed and controlled by railway ministry.

The finances are allocated from government treasury and whatever revenue it earns is deposited to government treasury only.

It is treated as a part of government and even the appointment, recruitment and selection of employees is done in the same way as that of civil servant.

**70.** Name the type of public sector enterprise railway is considered as

- (a) departmental undertaking
- (b) statutory corporation
- (c) government company
- (d) None of the above

**71.** What is the status of employees working in railways?

- (a) Civil servants
- (b) Private employees
- (c) Self employed
- (d) None of the above

**72.** How does it get its finance?

- (a) From personal funds
- (b) From government treasury
- (c) From RBI
- (d) From SBI

**73.** What does it do with its revenue?

- (a) Deposited in railway account
- (b) Deposited in personal account
- (c) Deposited in government account
- (d) None of the above

**74.** How employees are selected in railways?

- (a) Procedure of private companies
- (b) Through placement agencies
- (c) Through government
- (d) None of the above

## ANSWERS

### Multiple Choice Questions

1. (a)    2. (b)    3. (c)    4. (b)    5. (a)    6. (d)    7. (c)    8. (a)    9. (c)    10. (b)
11. (a)    12. (d)    13. (b)    14. (b)    15. (d)    16. (c)    17. (d)    18. (a)    19. (c)    20. (c)
21. (a)    22. (c)    23. (b)    24. (b)    25. (b)    26. (d)    27. (b)    28. (c)    29. (a)    30. (a)
31. (b)    32. (c)    33. (c)    34. (b)    35. (a)    36. (a)    37. (b)    38. (b)    39. (a)    40. (a)
41. (b)    42. (c)    43. (c)    44. (b)    45. (a)    46. (b)    47. (b)    48. (c)    49. (c)    50. (b)
51. (b)    52. (b)    53. (a)    54. (c)    55. (b)

### Assertion-Reasoning MCQs

56. (c)    57. (c)    58. (d)    59. (a)

### Case Based MCQs

60. (a)    61. (d)    62. (b)    63. (c)    64. (a)    65. (b)    66. (c)    67. (c)    68. (b)    69. (b)
70. (a)    71. (a)    72. (b)    73. (c)    74. (c)

# EXPLANATIONS

1. Disinvestment means to shut down the loss making public sector undertakings or to sell out to private sector.
2. Sole proprietorship is a form of private sector enterprises.
3. In India, there are only 3 organisations which are wholly owned and managed by government, one of them is railway.
5. Joint hindu family business is a form of private sector enterprises.
10. These are public corporations brought into existence by a Special Act of Parliament. It is a corporate body created by legislature and is a corporate person. Thus, these have the power of the government and the considerable amount of operating flexibility of private enterprises.
14. In India, all business organisations can be grouped as privately owned and government owned organisation, as the country has adopted the framework of mixed economy.
15. A board is set up by the government to revive loss making public sector undertaking. That board is Board of Industrial and Financial Reconstruction (BIFR).
23. Total shareholding of central and state government is 51% (15 + 26 + 10).
24. There are 3 public sector undertakings atomic, arms and railway.
25. It is not subject to the government rules and regulations as it has a separate legal entity and it is created by the Parliament.
29. Public sector can be classified as departmental undertaking, statutory corporation and government company.
30. It was approved for privatisation in the year 1997, through sale of 74% stake to a strategic partner and was finally divested in 2000.
31. Private enterprises are not accountable to the public through Parliament.
34. Government company means any company in which minimum 51% of the paid-up capital is held by the state or the central government.
41. Government company evades constitutional responsibility, as it is not answerable directly to Parliament for non-performance of duties.
50. This is a core sector where the government invested through public sector enterprises.
56. Statutory corporation is established under a Special Act of Parliament.
57. The revenue earned by departmental undertaking is a source of income for the government as it goes directly to the government treasury.
58. There is no legislation required for the formation of a government company.

# 04

## Business Services

1. **Business Services** are those services which are used by business enterprises for the conduct of their activities.
2. **Types of Business Services**
  - (i) **Banking** Every business requires finance to carry on its operations which are made available by banks.
  - (ii) **Communication** It helps to educate the consumer about the availability and utility of the product.
  - (iii) **Transportation** It helps to carry raw material and finished goods from one location to another.
  - (iv) **Insurance** In order to protect the business from damage or risk, businessman should get its plant, machinery, goods, etc. insured.
  - (v) **Warehousing** It helps to store the goods from the time of their production or purchase until they are sold or consumed.
3. **Banking** It plays an important role in the economic development of a nation. Banking is an act of depositing money in banks and withdrawing it when needed.

In other words, a bank accepts money on deposits, repayable on demand and also earns a margin of profit by lending money.
4. **Types of Bank Accounts**
  - (i) **Savings Account** is meant for individuals who want to save some amount of money out of their income.
  - (ii) **Current Account** is opened by businessmen who have a number of regular transactions with the bank, both deposits and withdrawals.
  - (iii) **Recurring Deposit Account** is opened by those who want to save a fixed amount every month for a specific period of time and earn a higher interest rate.
  - (iv) **Fixed Deposit Account** is an account in which a lump-sum amount is deposited for a specified time period which can range from fifteen days to five years.
  - (v) **Multiple Option Deposit Account** is a combination of savings account and fixed deposit account. In this account, the depositor gives standing instruction to the bank to convert the balance in his savings account into a fixed deposit, if it crosses a given threshold limit.
5. **Bank Draft** is a type of cheque which is drawn by a bank either on its own branch or on another bank.
6. **Bank Overdraft** is a temporary arrangement under which a depositor is allowed to overdraw his current account upto an agreed limit.

This facility is provided against the security of some assets or on the personal guarantee of the borrower.
7. **Cash Credit** is a revolving credit arrangement wherein the borrower is given loan against his current assets.

A credit limit is sanctioned and amount is credited in his account.

The borrower can withdraw any amount within his credit limit. Interest is charged only on the amount actually withdrawn by the borrower.

8. **e-Banking** is a service provided by banks that enables a customer to conduct banking transactions, such as checking accounts, paying bills etc over the internet, using a personal computer, mobile telephone or handheld computer.

e-Banking includes a range of services like

- (i) Electronic funds transfer (includes two ways, i.e. RTGS and NEFT)
- (ii) Automated Teller Machine (ATM)
- (iii) Electronic Data Interchange (EDI)
- (iv) Credit cards, etc.

### 9. Types of Digital Payments

- (i) **Banking Cards** These cards have been the most used digital payment modes till now. Credit cards, debit cards and prepaid cards are the main types of cards with authentication of PIN and OTP for severe payments.
- (ii) **Unstructured Supplementary Service Data (USSD)** The innovative payment service \*99# works on USSD channel. This method can be used to carry out mobile banking transactions without the use of mobile internet data. This service can be used to initiate fund transfer and to make balance queries.
- (iii) **Aadhaar Enabled Payment System (AEPS)** It is a way to make financial transactions from the bank account with the help of your biometric authentication. It can be used for all banking transactions.
- (iv) **Unified Payment Interface (UPI)** UPI android apps enable all bank account holders to send and receive money from their smart phones. One should have a valid bank account and a registered mobile number linked with that account, to use this service.
- (v) **Mobile Wallet** is a virtual wallet that stores payment card information in an encoded format to allow secure payments. It is a convenient way to make in-store payments and can be used at merchants listed with mobile wallet service provider.
- (vi) **Point of Sale (PoS) Terminals** refers to those machines that are installed at all stores where purchases are made by customers using credit/debit cards.

(vii) **Internet Banking** refers to the process of carrying out banking transactions online. It is usually used to make online fund transfers via NEFT, RTGS or IMPS.

(viii) **Mobile Banking** is referred to the process of carrying out banking transactions through a smart phone. It's scope is expanding with the introduction of many mobile wallets, digital payment apps, etc.

(ix) **Bharat Interface for Money (BHIM) App** is a mobile app developed by National Payments Corporation of India (NPCI), based on Unified Payment Interface (UPI). It supports all Indian banks through immediate payment service infrastructure and allows the user to instantly transfer money between bank accounts of any two parties.

10. **Insurance** is a form of contract under which one party agrees, in return of a consideration, to pay an agreed sum of money to another party to compensate the loss of goods/life.

Thus, it can be stated that insurance is a contract by which the loss likely to be caused by an uncertain event is compensated by the insurer.

### 11. Principles of Insurance

- (i) **Utmost Good Faith** A contract of insurance is a contract of *uberrimae fidei*, i.e. a contract based on utmost good faith. It means that the insurer and the insured should display good faith towards each other by voluntarily making full, accurate disclosure of all facts, material to the risk being proposed and the insurer should make clear all the terms and conditions in the insurance contract.
- (ii) **Insurable Interest** means some financial interest in the subject matter of the insurance contract. The insured must have an interest in the subject matter of insurance in such a way that he stands to benefit by its safety and stands to suffer loss if it is damaged.
- (iii) **Indemnity** means security against loss. According to this principle, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against.

- (iv) **Proximate Cause** When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is the natural consequence. The insurer is liable to compensate for the loss only if the proximate cause is covered under the policy.
- (v) **Subrogation** According to this principle, after the insured is compensated for the loss or damage to the property insured by him/her, the right of ownership of such property passes on to the insurer.
- (vi) **Contribution** This principle suggests that it is the right of an insurer to call upon other liable insurers to contribute for the loss of payment. It implies that in case of double insurance, the insurers are to share the losses in proportion to the amount assured by each of them.
12. **Life Insurance** is a contract under which, the insurer agrees to pay a specified amount on the death of the insured, or on the expiry of a certain fixed period, whichever is earlier.
13. **Elements of Life Insurance**
- The contract must have all the essentials of a valid contract.
  - The assured should be honest and truthful in giving information to the insurance company.
  - Without insurable interest, the contract of life insurance is void.
  - It is not a contract of indemnity.
14. **Types of Life Insurance Policies**
- Whole life policy
  - Endowment life assurance policy
  - Joint life policy
  - Annuity policy
  - Children's endowment policy
15. **Health Insurance** is a contract between an insurer and an individual or group, in which the insurer agrees to provide expenses related to treatment and hospitalisation of specified diseases at an agreed-upon price.
- Depending upon the policy, premium may be payable either in a lump-sum or in instalments.
16. **Types of Health Insurance**
- Individual mediclaim policy
  - Family floater policy
  - Unit linked health plans
17. **Fire Insurance** is a contract whereby the insurer, in consideration of the premium and subject to the conditions of the contract, undertakes to compensate the insured for any loss that may result due to the occurrence of fire.
- A claim for loss by fire must satisfy the following two conditions
- There must be actual loss.
  - Fire must be accidental and non-intentional.
18. **Elements of Fire Insurance**
- The insured must have insurable interest both at the time of insurance and at the time of loss.
  - The contract is based on utmost good faith.
  - This contract is a contract of strict indemnity.
  - The insurer is liable to compensate only when fire is the proximate cause of damage or loss.
19. **Marine Insurance** is an agreement whereby the insurer undertakes to indemnify the insured, in the manner and to the extent thereby agreed, against marine losses caused by perils of the sea, such as collision of ship with the rock or ship attacked by the enemies, or captured by pirates and any loss due to the actions of the captain and crew of the ship.
20. **Types of Marine Insurance**
- Ship or hull insurance
  - Cargo insurance
  - Freight insurance

# Objective Questions

## Multiple Choice Questions

- ..... is a temporary arrangement under which a depositor is allowed to draw by cheque more than the amount available to his credit upto a specified limit.  
(a) Cash credit (b) Term loan  
(c) Bank overdraft (d) Consumer credit
- There are services which are experienced differently by different customers. These kind of services depend upon customers preferences and demands and are known as  
(a) Personal services  
(b) Social services  
(c) Business services  
(d) Financial services
- The commission charged on banker's cheque is more than that on a bank draft.  
(a) True (b) False  
(c) Can't say (d) Partially true
- Which of the following services provides protection from risk?  
(a) Banking (b) Transportation  
(c) Insurance  
(d) Postal and Telecom
- A company has undertaken a fire insurance policy for ₹ 10 lakh. After two months, due to fire it incurred a loss of ₹ 3 lakh. How much money will the company get as compensation?  
(a) ₹ 10 lakh (b) ₹ 3 lakh  
(c) ₹ 5 lakh (d) ₹ 2 lakh
- The amount deposited in a savings bank account of a person is an asset for the depositor, while on the other hand it is a liability for the bank. Based on its nature it can be classified as a  
(a) time liability (b) demand liability  
(c) long-term liability (d) None of these
- Customers are required to deposit a specified sum of money every month in his account in case of ....., which is also known as cumulative time deposit account.  
(a) savings account  
(b) current account  
(c) recurring deposit account  
(d) joint account
- Mobile banking refers to the process of carrying out banking transactions online.  
(a) True (b) False  
(c) Can't say (d) Partially true
- Mr Kabir Khan desires to have two benefits from his bank account, first, to earn higher interest on balance and second, to face minimum risk of dishonouring a cheque. Which type of account should be opened by him in Indus Bank?  
(a) Current account  
(b) Saving account  
(c) Multiple option account  
(d) Recurring account
- A countrywide system through which person can electronically transfer from one bank branch to another person having an account with the other bank branch in the country is known as  
(a) Pay order (b) RTGS  
(c) Bank draft (d) NEFT
- ..... account is meant for people who wish to save a part of their income to safeguard the future and can interest on it.  
(a) Current account  
(b) Savings account  
(c) Recurring account  
(d) Multiple option account

12. Match the following.

Column I	Column II
A. Insurable interest	(i) Insurer is liable for the loss only when such loss is caused by the perils, which are stated in the policy
B. Proximate cause	(ii) A contract found on utmost good faith
C. Utmost good faith	(iii) Insured must have economic interest at the time of entering into an insurance contract

Codes

A B C	A B C
(a) (i) (ii) (iii)	(b) (i) (iii) (ii)
(c) (iii) (i) (ii)	(d) (ii) (i) (iii)

13. When a property is insured by more than one insurance (i.e. in case of multiple insurance), the insurers are to share losses in what proportion?

- Ratio of premiums received
- Ratio of duration of insurance
- Ratio of amount insured
- Equal ratio

14. When the loss is the result of two or more causes, which of the following terms refers to the direct cause of which the loss is the natural consequence?

- Subrogation
- Proximate
- Mitigation
- Indemnity

15. In case of fire insurance policy, the insurer is liable to compensate for the loss only when the proximate cause of loss is fire.

- True
- False
- Can't say
- Partially true

16. .... is a contract of insurance, in which an insurer enters into a contract with another insurer to insure the whole or a part of risk covered by the first insurer.

- Double insurance
- Hull insurance
- Reinsurance
- Burglary insurance

17. Mr. Virat, a businessmen, has a current account in SBI, his current account shows balance of just ₹ 40,000, while he urgently needs ₹ 2,50,000 to pay off one of his creditors.

He approaches SBI to allow him to withdraw ₹ 2,50,000, using the facility extended by the bank to him due to his creditworthiness. The bank agrees to it. Identify the facility which has been provided by SBI to Virat.

- Borrowing
- Bank overdraft
- Banker's cheque
- None of these

18. A contract by which the insurer, in consideration of a certain amount known as premium, undertakes to pay to a person or his heirs a certain amount of money on his death or on attaining a certain age is known as

- General insurance
- Life insurance
- Special insurance
- Burglary insurance

19. If the cargo does not reach its destination due to damage or destruction in the transit, the shipping company is not paid freight charges. To overcome losses suffered by such circumstances, shipping companies opt for

- ship insurance
- hull insurance
- cargo insurance
- freight insurance

20. It is a type of payment instrument in which money is loaded in advance to make purchases. Identify which type of digital payment method is described above?

- Credit card
- Debit card
- Prepaid card
- None of these

- 21.** In recurring deposit account, the depositor enjoys the liquidity of saving account and interest rate of fixed deposit account.  
 (a) True (b) False  
 (c) Can't say (d) Partially true
- 22.** Abhinav took a fire insurance policy for his property worth ₹ 5,00,000 with two insurers: ICICI Lombard General Insurance Co. Ltd. for ₹ 4,00,000 and Bajaj Allianz General Insurance Co. Ltd. for ₹ 20,000.  
 An electric short circuit in his property caused fire and it resulted in a loss of ₹ 1,50,000.  
 He filed a claim for ₹ 100,000 against each of the two insurance companies. Which principle of insurance has been highlighted in given case?  
 (a) Mitigation (b) Proximate cause  
 (c) Contribution (d) Indemnity
- 23.** Manav gets the information about the rate of interest on fixed deposit by a telephonic conversation with an officer of a bank. Name this type of banking.  
 (a) Internet banking (b) e-banking  
 (c) Tele-banking (d) None of these
- 24.** Hari took a fire insurance policy of ₹ 20 lakh for his factory at the annual premium of ₹ 24,000. In order to avoid premium more than this amount, 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 the payment for claim as it became aware about the highly explosive chemicals. Identify the principle of insurance violated by Hari.  
 (a) Insurable interest (b) Utmost good faith  
 (c) Indemnity (d) Subrogation
- 25.** Which of the following is not applicable in life insurance contract?  
 (a) Conditional contract  
 (b) Unilateral contract  
 (c) Indemnity contract  
 (d) None of the above
- 26.** As per the basic principle of the fire insurance policy, it is the primary duty of the insured to take reasonable steps to prevent fire from occurring and to minimise the losses or damage to the insured property.  
 It is the duty of the insured to behave with great prudence and not to be careless just because he has an insurance cover. This principle is known as the principle of  
 (a) indemnity (b) proximate cause  
 (c) subrogation (d) mitigation
- 27.** The minimum period of deposit in case of recurring deposit account is ..... and maximum is .....  
 (a) 12 months, 2 years (b) 6 months, 10 years  
 (c) 4 months, 1 year (d) 8 months, 3 years
- 28.** Joint life policy is taken up by a person for his/her children to meet the expenses of their education or marriage.  
 (a) True (b) False  
 (c) Can't say (d) Partially true
- 29.** A electronic fund transfer system under which transfer of funds take place from one branch of bank to another branch on real time and on grow basis is know as  
 (a) NEFT (b) EFT  
 (c) RTGS (d) ATM
- 30.** A cheque which is deposited only to the payee's bank account is known as .....  
 (a) Bearer's cheque (b) Demand draft  
 (c) Crossed cheque (d) None of these

- 31.** Deepak has taken fire insurance policy of ₹ 9,00,000 for his factory. Due to fire, he suffered a loss of ₹ 6,00,000. He claimed the loss from the insurance company and he gets the compensation within a month.

Goods that were lost by fire were scrapped for ₹ 70,000. Deepak wants to keep this money with himself, while the insurance company claims that ₹ 70,000 should be handed over to the company.

Identify the principle of insurance which is applicable in the given case.

- (a) Utmost good faith      (b) Insurable interest  
(c) Subrogation              (d) None of these
- 32.** Which of the following is not a function of insurance?  
(a) Risk sharing  
(b) Assist in capital formation  
(c) Lending of funds  
(d) None of the above
- 33.** Banks generally put certain restrictions on number of withdrawals from current account.  
(a) True                              (b) False  
(c) Can't say                      (d) Partially true
- 34.** Rakesh took the life insurance policy of his wife. After one year, the couple got divorced and after two years, his wife met with an accident and died on the spot. Rakesh entitled to get compensation from the insurance company, if Rakesh was regularly paying the premium amount?  
(a) Yes                              (b) No  
(c) Can't say                      (d) None of these
- 35.** In case of cash credits, loan amount is credited in the borrower's account and interest is charged on the total amount credited.  
(a) True                              (b) False  
(c) Can't say                      (d) Partially true

- 36.** Match the following.

Column I	Column II
A. Subrogation	(i) It is the duty of the insured to take reasonable steps to minimise the loss to the insured property.
B. Contribution	(ii) Insurer gets all the rights against the third party with respect to subject matter insured, after compensating the loss.
C. Mitigation	(iii) This principle ensures equitable distribution of losses between insurers.

**Codes**

	A	B	C
(a)	(i)	(ii)	(iii)
(b)	(iii)	(ii)	(i)
(c)	(i)	(iii)	(ii)
(d)	(ii)	(iii)	(i)

- 37.** The purpose of principle of ..... is to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event.  
(a) subrogation                      (b) indemnity  
(c) mitigation                      (d) None of these
- 38.** When a customer makes a payment using the credit card, his account balance is automatically reduced.  
(a) True                              (b) False  
(c) Can't say                      (d) Partially true
- 39.** When a ship is insured against any type of danger, it is known as  
(a) Life insurance  
(b) Fire insurance  
(c) Hull insurance  
(d) None of the above
- 40.** In case of which card, a holder can spend money only up to the balance in his account?  
(a) Credit card                      (b) Debit card  
(c) Both (a) and (b)                      (d) None of these

41. Match the following.

Column I	Column II
A. Current account	(i) The rate of interest payable is very nominal.
B. Savings account	(ii) It is also known as term deposit account.
C. Fixed deposit account	(iii) Banks do not pay any interest on these accounts.

Codes

	A	B	C		A	B	C
(a)	(i)	(ii)	(iii)	(b)	(ii)	(i)	(iii)
(c)	(iii)	(i)	(ii)	(d)	(i)	(iii)	(ii)

42. This health insurance policy combines health insurance with investment. The insurer pays back a specified amount at the end of the period. Identify which policy is this?

- (a) Individual mediclaim policy
- (b) Family floater policy
- (c) Unit linked health plans
- (d) None of the above

43. State which of the following statements is false?

- (a) Recurring deposit account is a time deposit account
- (b) Number of transactions every month is limited in saving bank account
- (c) A current account can be opened with an initial deposit of ₹5,000
- (d) Fixed deposit account is demand deposit account

44. “It is another type of digital payment method, in which ‘\*99#’ can be used to carry out mobile transactions.”

Which type of digital payment is described above?

- (a) Unified Payment Interface (UPI)
- (b) Unstructured Supplementary Service Data (USSD)
- (c) Aadhaar Enabled Payment System (AEPS)
- (d) None of the above

45. The main objective of this account is to enable the businessman to conduct its business transactions smoothly.

- (a) Multiple option deposit account
- (b) Savings account
- (c) Recurring deposit account
- (d) Current account

46. Kavya took a marine policy worth ₹ 2,00,000 to protect her goods from the perils of sea. On the way, the goods were spoiled by rats. She suffered a loss of ₹ 100,000. She filed a claim for loss against the insurance company.

Which principal of insurance is highlighted in the given case?

- (a) Subrogation
- (b) Mitigation
- (c) Proximate cause
- (d) Contribution

47. Name the banking service in which the customer can conduct banking activities like managing savings, checking accounts, applying for loans etc over the internet.

- (a) Mobile banking
- (b) e-banking
- (c) RTGS
- (d) None of these

48. Mr Ankit has a current account in State Bank of India, he is having many transactions of funds transfer every day. One day he asked bank manager to transfer ₹ 40,000 to a client in Mumbai immediately. The bank manager replied to transfer the fund immediately minimum amount should be ₹ 2,00,000. Identify the concept discussed in the above case.

- (a) NEFT
- (b) Digital cash
- (c) RTGS
- (d) None of these

49. Which of the following is the full form of ATM?

- (a) Automatic Take Money
- (b) Any Time Money
- (c) Automated Teller Machine
- (d) None of the above

- 50.** Savings account is suitable for mobilisation of savings of people.  
 (a) True (b) False  
 (c) Can't say (d) Partially true
- 51.** Under ..... insurance, subject matter is ship, cargo or freight.  
 (a) life (b) marine  
 (c) reinsurance (d) None of these
- 52.** The validity period of a demand draft is  
 (a) one month (b) two months  
 (c) three months (d) six months
- 53.** An arrangement by which a bank allows its customer to borrow money upto the specified limit.  
 (a) Cash credits (b) Pass book  
 (c) Cash book (d) Account page
- 54.** Match the following.

Column I	Column II
A. Bank overdraft	(i) Bank grant loans to purchase houses, cars, computers etc.
B. Cash credits	(ii) It is a temporary arrangement under which a depositor is allowed to draw by cheque more than the amount to his credit upto specified limit.
C. Term loans	(iii) Arrangement by which bank allows its customer to borrow money upto specified limit.
D. Consumer credits	(iv) Granted by banks for a fixed period of time, against security.

**Codes**

A B C D	A B C D
(a) (ii) (iii) (iv) (i)	(b) (iii) (i) (ii) (iv)
(c) (iv) (i) (iii) (iv)	(d) (i) (ii) (iv) (iii)

- 55.** Which of the following is/are PoS terminals?  
 (a) Physical PoS (b) Mobile PoS  
 (c) Virtual PoS (d) All of these

- 56.** Ankit's warehouse was covered by a fire insurance policy of ₹ 10,00,000, two years back, his warehouse caught fire. Ankit, immediately called up the nearest fire station and started removing the goods from warehouse in order to save them from fire.

He took all reasonable steps to minimise the loss or damage. As a result, the actual loss by fire to him was ₹ 3,00,000 which could have gone up to ₹ 7,00,000, if he had not acted as a prudent person.

After scrutiny of the loss, the insurance company handed over the cheque of ₹ 3,00,000 to Ankit.

Identify and state the principle of insurance, which was followed by Ankit in the given case?

- (a) Subrogation  
 (b) Mitigation  
 (c) Contribution  
 (d) Proximate cause

- 57.** Banker's cheque is also known as .....  
 (a) Overdraft (b) Cash credit  
 (c) Pay order (d) None of these
- 58.** Nitesh insured his factory for ₹ 5,00,000 against fire. Due to fire in his factory, he suffered a loss of stock worth ₹ 3,00,000. He is of the opinion that he can recover the entire policy amount of ₹ 5,00,000 from the insurance company.

Identify the relevant insurance principle in this regard.

- (a) Subrogation (b) Mitigation  
 (c) Indemnity (d) None of these

- 59.** It is an electronic card issued by a financial institution authorising the holder to buy goods or services on credit.  
 (a) Debit card (b) Credit card  
 (c) Both (a) and (b) (d) None of these

- 60.** Under which policy, policy money is payable after the assured attains, a certain age in monthly, quarterly, half yearly or annual installments?  
 (a) Annuity policy  
 (b) Life insurance policy  
 (c) Both (a) and (b)  
 (d) None of the above
- 61.** “The insured must have an interest in the subject matter of insurance”. Which principle of insurance is related to this statement?  
 (a) Principle of mitigation  
 (b) Principle of insurable interest  
 (c) Principle of proximate cause  
 (d) None of the above
- 62.** Anuj has taken a loan from Avi against the security of his factory. Can Avi take a fire insurance policy of that factory?  
 (a) No  
 (b) Yes  
 (c) Can't say  
 (d) None of the above
- 63.** If a person take fire insurance policy from 3 insurers. During loss due to fire he will get  
 (a) loss amount compensation from all three separately  
 (b) loss amount, which will be contributed by all three  
 (c) policy amount from all insurers  
 (d) None of the above
- 64.** Mobile wallets provide which kind of services to the society?  
 (a) Sending and receiving money  
 (b) Making payments to merchants  
 (c) Online purchases  
 (d) All of the above
- 65.** AEPS service can be availed only when Aadhaar number is registered with the bank where account is held.  
 (a) True (b) False  
 (c) Can't say (d) Partially true

### Assertion-Reasoning MCQs

**Direction** (Q.Nos. 66 to 70) *There are two statements marked as Assertion (A) and Reason (R). 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 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
- 66. Assertion (A)** Business services are those services which are used by business enterprises for the production or sale of good and services.  
**Reason (R)** Business enterprises are much dependent on business services as these services help the enterprises to carry on their activities smoothly.
- 67. Assertion (A)** Under life insurance contract, insurer agrees to pay a specified amount on the death of the assured, or on the expiry of a certain fixed period, whichever is earlier.  
**Reason (R)** Loss arising on death of the assured cannot be measured in terms of money. That is why, the amount payable is fixed.
- 68. Assertion (A)** Life insurance policy can be taken for any amount.  
**Reason (R)** In case of fire insurance policy, the insurer is liable to compensate for the loss only when the proximate cause of loss is fire.
- 69. Assertion (A)** In order to minimise the impact of uncertainties, there is a need for insurance.  
**Reason (R)** There are risks of death and disability human life, fire and burglary risk for property.

**70. Assertion (A)** Services are intangible which means they can't be touched, but can only be felt or experienced by the consumers.

**Reason (R)** Services can be separated from the production activity.

### Case Based MCQs

**Direction** Read the following case study and answer questions 71 to 75 on the basis of the same.

Dhani Mani Bank is a private sector bank offering various services to its customers. It offers various types of bank account options to its customers.

Raksha being a businessman has chosen the type of account in which the deposits all the most liquid and there is no limit to the number of transactions or the amount of transactions in a day.

On the other hand, his mother has opened a type of account where she can conveniently deposit the money she saves. She has got cheque facility and lot of flexibility for deposits and withdrawal whereas Raksha's sister Reema opened the account where she will deposit ₹ 2,000 per month for next 2 years and one of his employee opened an account which is a combination of savings account and fixed deposit account.

**71.** "Raksha being a businessman ..... amount of transactions in a day."  
Identify the type of bank account used by Raksha.

- (a) Saving account
- (b) Current account
- (c) Fixed deposit account
- (d) Recurring account

**72.** "On the other hand, his mother ..... the money she saves."  
Identify the type of bank account used by his mother.

- (a) Saving account
- (b) Current account
- (c) Recurring account
- (d) None of these

**73.** Raksha's sister Reema opened ..... for next year."  
Identify the type of bank account used by Reema.

- (a) Current account
- (b) Recurring deposit
- (c) Saving account
- (d) Fixed deposit account

**74.** "One of his employee opened ..... and fixed deposit account."  
Identify the type of bank account used by his employee.

- (a) Saving account
- (b) Current account
- (c) Multiple option deposit account
- (d) None of the above

**75.** Which of the following account is not discussed in above case?

- (a) Fixed deposit account
- (b) Saving account
- (c) Recurring deposit account
- (d) Current account

**Direction** Read the following case study and answer questions 76 to 80 on the basis of the same.

Vithal Rao has a shop in Chawdi Bazaar which deals in antique idols of various gods and goddesses. He has taken an insurance policy on his shop and the stock in the shop. While taking the policy, he conveyed his intention to the insurance company that he should be provided cover under all possible risk.

The insurance company convinced Vithal Rao that the policy was comprehensive and covered every probable risk. During the tenure of the policy, an earthquake occurred and the shop and stock of Vithal Rao were destroyed completely.

He approached the insurance company for compensation of loss. However, the insurance company refused to grant him compensation on the ground that 'loss by act of God' was not covered by the policy.

- 76.** Identify the principle of insurance violated by the insurance company.
- (a) Mitigation (b) Utmost good faith  
(c) Subrogation (d) None of these
- 77.** Do you think Vithal Rao has 'insurable interest' in the shop and the stock destroyed?
- (a) Yes (b) No  
(c) Can't say (d) None of these
- 78.** Which of the following is/are function(s) of insurance?
- (a) Providing certainty  
(b) Protection  
(c) Risk sharing  
(d) All of the above
- 79.** The person or the firm who gets compensation is called
- (a) Insurer  
(b) Insured  
(c) Premium  
(d) Happening of an event
- 80.** Which one of the following principles is not described in above case?
- (a) Principle of utmost good faith  
(b) Principle of indemnity  
(c) Principle of mitigation  
(d) Both (b) and (c)

**Direction** Read the following case study and answer questions 81 to 85 on the basis of the same.

Madhu is running a general store. The store was insured against natural disaster like flood, earthquake and fire from Hindustan General Insurance Company for the amount of ₹ 50 lacs.

Heavy raining in the city caused massive flood. This left the store without any security. The store was looted by people which was caught on CCTV.

She claimed from the insurance company the amount of damage of ₹ 13 lacs for the material and furniture spoiled from flood and also ₹ 5 lacs for the loss of material by theft, she also claimed another ₹ 25 lacs to convert the store into fully AC and additional floor for more storage space.

Insurer after assessing the damage to the property and stock due to flood and seeing the CCTV footage, accepted the claim of ₹ 13 lacs. Madhu argued that as she has been paying premium for ₹ 50 lacs, she should be paid the full claim of ₹ 43 lacs.

- 81.** What is the fundamental principle of insurance on the basis of which insurer accepted a claim?
- (a) Subrogation (b) Mitigation  
(c) Proximate cause (d) None of these
- 82.** Identify the another principle of insurance involved by insurance company by accepting the claim amount of ₹ 13 lacs.
- (a) Principle of indemnity  
(b) Principle of mitigation  
(c) Principle of utmost faith  
(d) Principle of contribution
- 83.** According to you, how much compensation should be reimbursed by insurance company?
- (a) ₹ 43 lacs (b) ₹ 13 lacs  
(c) ₹ 3 lacs (d) ₹ 25 lacs
- 84.** How many types of losses are there in proximate cause?
- (a) Insured perils (b) Uninsured perils  
(c) Both (a) and (b) (d) None of these
- 85.** In which type of insurance, 'Principle of Indemnity' is not applicable?
- (a) Marine insurance (b) Fire insurance  
(c) Life insurance (d) None of these

## ANSWERS

### Multiple Choice Questions

1. (c)    2. (a)    3. (b)    4. (c)    5. (b)    6. (b)    7. (c)    8. (b)    9. (c)    10. (d)  
 11. (b)    12. (c)    13. (c)    14. (b)    15. (a)    16. (c)    17. (b)    18. (b)    19. (d)    20. (c)  
 21. (b)    22. (c)    23. (c)    24. (b)    25. (c)    26. (d)    27. (b)    28. (b)    29. (c)    30. (c)  
 31. (c)    32. (c)    33. (b)    34. (a)    35. (b)    36. (d)    37. (b)    38. (b)    39. (c)    40. (b)  
 41. (c)    42. (c)    43. (d)    44. (b)    45. (d)    46. (c)    47. (b)    48. (c)    49. (c)    50. (a)  
 51. (b)    52. (c)    53. (a)    54. (a)    55. (d)    56. (b)    57. (c)    58. (c)    59. (b)    60. (a)  
 61. (b)    62. (a)    63. (b)    64. (d)    65. (a)

### Assertion-Reasoning MCQs

66. (a)    67. (a)    68. (b)    69. (a)    70. (c)

### Case Based MCQs

71. (b)    72. (a)    73. (b)    74. (c)    75. (a)    76. (b)    77. (a)    78. (d)    79. (b)    80. (d)  
 81. (c)    82. (a)    83. (b)    84. (c)    85. (c)

## EXPLANATIONS

3. The commission charged on banker's cheque is less than that on a bank draft.
4. Insurance cannot stop the happening of a risk or event but can compensate for losses arising out of it and thus, provide protection to the insured.
5. All insurance contracts of fire or marine insurance are contracts of indemnity. The compensation payable and the loss suffered are to be measured in terms of money.
6. In case of money deposited into a savings bank account, bank is liable for repayment as and when demanded by the customer, therefore it is a demand liability of bank.
8. Mobile banking is referred to the process of carrying out banking transactions through a smartphone.
9. This account is a combination of savings and fixed deposit account. In this account, the depositor can enjoy the liquidity of saving account and rate of interest of fixed deposit account.
10. NEFT stands for National Electronic Funds Transfer. It is a countrywide system by which an individual, firm or company can electronically transfer funds from one bank branch to another individual, firm or company having an account with any other bank branch in the country.
13. In case of insurance of a property by more than one insurer, the losses are to be shared between all the insurers in the ratio of the amount insured by each of them.
17. It refers to a facility in which a customer is allowed to overdraw his current account upto an agreed limit.
21. In multiple option deposit account, the depositor enjoys the liquidity of saving account and interest rate of fixed deposit account.
22. This principle suggests that it is the right of an insurer to call upon under liable insurers to contribute for the loss of payment.
24. In the contract of insurance, the insurer and the insured should display good faith towards each other by voluntarily making full, accurate disclosure of all facts, material to the risk being proposed.
25. Life insurance contract is not a contract of indemnity. The life of a human being cannot be compensated. That is why the amount payable in life insurance on the happening of the event is fixed in advance.

- 28.** Children's endowment policy is taken up by a person for his/her children to meet the expenses of their education or marriage.
- 32.** Lending of funds is a banking function.
- 33.** There is no restriction on the number and amount of deposits and withdrawals from current account.
- 34.** Rakesh is entitled to the compensation because in case of life insurance policy. The insurable interest must be present at the time of contract, so Rakesh will get the compensation for the death of his wife even after divorce.
- 35.** A credit limit is sanctioned and the amount is credited in borrower's account and interest is charged on the amount actually withdrawn.
- 38.** Credit card holder has to pay his balance in full, usually on a monthly basis.  
If the user does not pay the balance in full, the issuer adds interest to the balance, and this interest compounds for as long as the balance is outstanding.
- 43.** Current account is known as demand deposit while fixed deposit account is known as term deposit or time deposit account.
- 46.** According to this principle the insurer is liable for the loss only when such loss is proximately caused by the perils, which are stated in the policy.
- 50.** The main objective of savings account is to promote savings. By opening a savings account, people can keep their surplus money safe in the banks and also earn interest on their deposits.
- 53.** Cash credit limit is decided by the bank on the basis of the borrower's assets and personal reputation.
- 55.** Physical PoS (Point of Sale) terminals are the ones that are kept at shops and stores. Mobile PoS terminals work through tablet or smartphone. This is suitable for small business owners. Virtual PoS use web based applications to process payments.
- 56.** According to this principle, it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property.
- 58.** Fire insurance contract is based on the principle of strict indemnity. In the given case, Nitesh can recover the actual amount of loss i.e. ₹ 3,00,000 from the insurer.
- 62.** In case of fire insurance, insurable interest has to be present both at the time of affecting the policy and also when the claim falls due.
- 70.** Services cannot be separated from the production activity or the service provides i.e. services have to be consumed as they are produced.
- 76.** The principle of insurance violated by the insurance company is that of 'Utmost Good Faith'. According to this principle, both the insurer and the insured should display good faith towards each other in regard to the contract. However, in the given instance, the insurer failed to inform the insured that the policy did not cover loss to property by 'act of God'.
- 77.** Yes, I think that Vithal Rao has 'insurable interest' in the subject matter of insurance. Insurable interest means some pecuniary interest in the subject matter. Vithal Rao was financially dependent on the shop and derived his earning from there. So, this accounts for the presence of insurable interest.
- 83.** The store was insured against natural disaster the flood, earthquake and fire and actual loss from flood is ₹ 13 lacs. So only ₹ 13 lacs will be reimbursed by insurance company as the case is related to principle of proximate cause.

# 05

## Emerging Modes of Business

### Quick Revision

1. **e-Business** refers to the conduct of industry and commerce using a computer network such as the internet. e-Business includes not only e-commerce, but also other electronically conducted business functions such as production, inventory management, product development, accounting and finance and human resource management.

According to Philip Kotler, “electronic business is the general term for buying and selling process that is supported by electronic means.”

2. **Scope of e-Business** On the basis of the parties involved in firm’s electronic transactions, the scope of e-business extends to the transactions between two business firms, transactions between a firm and its customers and the transactions carried on within a firm itself. These transactions are explained below

(i) **B2B Transactions** These transactions take place between two business firms. Hence, the name is B2B (business-to-business). A business interacts with a number of other business firms which may be suppliers or vendors of diverse inputs.

Also they may be a part of the channel through which a firm distributes its products to the consumers.

(ii) **B2C Transactions** As the name implies, B2C (business-to-customers) transactions have business firms at one end and their customers on the other end.

This category is related to electronic retailing. This variant of e-business enables a business to be in touch with its customers 24 hours a day.

B2C transactions may include

- Selling and distribution of goods,
- Conducting consumer surveys,
- After sales service,
- Promotional activities,
- Delivery of products

B2C transactions also give scope for **C2B transactions**. C2B commerce provides consumers with the freedom of shopping at will.

Customers can also make toll free calls to the call centres set up by the companies to make queries and lodge complaints, at no extra cost, round the clock.

(iii) **Intra-B Transactions** Here, parties involved in the electronic transactions are from within a given business firm only. It enables the smooth flow of transaction within the different departments of a specific firm.

In other words, it can be said that a computer-based interaction among the different departments makes it possible for the firm to reap advantages of efficient inventory and cash management, greater utilisation of plant and machinery, effective handling of customers' orders, effective human resource management, etc.

Also, Intra-B transactions include firm's interaction with employees, which is referred to as **B2E commerce**.

Companies are also resorting to Virtual Private Network (VPN) technology through which employees can access to organisations network and can work from anywhere through computer network.

- (iv) **C2C Transactions** These transactions originate from the consumer and they end on the consumer.

This type of commerce is best suited for dealing in goods for which there is no established market mechanism.

C2C transactions also involve the formation of consumers' groups and forum, which helps consumers to get solutions to their problems and grievances.

### 3. Benefits of e-Business

- (i) **Ease of Formation and Lower Investment Requirements** e-Business is relatively easy to start. The benefits of internet technology are received by big or small business on a regular basis. Success of e-business depends on network (i.e. contacts) and not on investment (i.e. net worth).
- (ii) **Convenience** It offers the advantage of accessing anything, anywhere, anytime. It enables the customers to shop at their own convenience 24 hours × 7 days a week.
- (iii) **Speed** It is one of the most speedy modes of doing business. One can avail anything, anytime, anywhere at the click of a mouse.

- (iv) **Global Reach** Internet has a wide reach. On one hand, it allows the seller an access to the global market; on the other hand, it offers the buyer, freedom to choose products from almost any part of the world.

- (v) **Movement towards a Paperless Society** Use of internet has considerably reduced dependence on paperwork as most of the work is done electronically through computers. Even the government departments and regulatory authorities are increasingly moving in this direction whereby they allow electronic filing of returns and reports.

### 4. Limitations of e-Business

- (i) It lacks personal touch with customers as it is conducted over the internet.
- (ii) Information can flow at the click of a mouse, but the physical delivery of the product takes time. This incongruence causes a lot of inconvenience to the customers.
- (iii) e-business requires a high degree of familiarity with the way a computer works on the part of both the parties which are involved in the process of transaction. The absence of familiarity with digital technology is responsible for digital divide.
- (iv) Internet transactions are risky because they occur between cyber personalities. It becomes difficult to establish the identity of the two involved parties.
- (v) It is also responsible for many problems such as hacking, problems of virus, etc.
- (vi) People have a tendency to resist change as adjustment to new technology and new environment cause a sense of insecurity. As a result, people may resist an organisation's plans of entering into e-business.
- (vii) Many companies use an electronic eye on their employees by keeping track of e-mail accounts, files and websites used by them. It is not ethical on the part of the firms.

# Objective Questions

## Multiple Choice Questions

- e-commerce does not include
  - a business interaction with its suppliers.
  - a business interaction with its customers.
  - interactions among the various departments within the business.
  - interactions among the geographically dispersed units of the business.
- Which of the following is not a transaction under the purview of e-business?
  - Bank to business commerce
  - Business to customer commerce
  - Intra-business commerce
  - Business to business commerce
- The transactions taking place between business and customers are known as ..... transactions.
  - B2C
  - B2B
  - C2C
  - None of these
- OLX market place is a platform for buying and selling services and goods such as electronics, furniture, household goods, cars and bikes. It connects local people to buy, sell or exchange used goods by making it fast and easy for anyone to post a advertisement through their mobile phone or on the web. Identify the component of e-business being described in the given case.
  - C2C
  - B2B
  - B2C
  - C2B
- ..... is not an application of e-business.
  - Online bidding
  - Online procurement
  - Online trading
  - Contract research and development
- If compared to e-business, transaction risks in a traditional business are .....
  - higher
  - lower
  - transaction risks are same in both
  - no transaction risks at all
- M/s Systema Shyam is engaged in the preparation and publications of online advertisements through banners and pop-ups, etc. Services provided by Systema Shyam are an example of
  - e-delivery
  - e-bidding
  - e-promotion
  - e-procurement
- In B2B transactions, a business interacts with a number of other business firms which may be suppliers or vendors of diverse inputs.
  - True
  - False
  - Can't say
  - Partially true
- In C2B transactions, parties involved in the electronic transactions are from within a given business firm only.
  - True
  - False
  - Can't say
  - Partially true
- Mr Ramesh buys and sells shares and securities of various companies online, through a platform provided by the Bombay stock exchange. Mr Ramesh is engaged in which of the following applications of e-business?
  - e-procurement
  - e-trading
  - e-bidding
  - None of these
- Withdrawal of money from ATM is an example of ..... transaction.
  - C2B
  - C2C
  - B2C
  - B2B

- 12.** Which one of the following is a factor which gives advantage to e-business over traditional business?  
 (a) Transaction risks  
 (b) Investment requirement  
 (c) Ethical fallouts  
 (d) Personal touch with customers
- 13.** C2C transactions originate from the consumer and they end on the consumer.  
 (a) True (b) False  
 (c) Can't say (d) Partially true
- 14.** As compared to e-business, there is less opportunity for inter-personal touch in traditional business.  
 (a) True (b) False  
 (c) Can't say (d) Partially true
- 15.** Rendering of legal, accounting, medical and other consultancy services, electronic delivery of computer software, photographs and other multimedia services to the user's computer by means of Information Technology Enabled Services (ITES) is known as  
 (a) e-procurement (b) e-bidding  
 (c) e-delivery (d) e-trading
- 16.** Meera wants to buy a new laptop with latest features and want to sell the old laptop before buying the new one. So, she listed her old laptop on quicker.com. She received good response from her post and was able to sell the laptop at good price.  
 Identify the component of e-business being described above.  
 (a) B2B transaction (b) B2C transaction  
 (c) B2B transaction (d) C2C transaction
- 17.** It is widely used and internationally recognised coding system to represent characters in a standard way. What is this?  
 (a) SSL (b) ASCII  
 (c) VPN (d) None of these
- 18.** ..... refers to the division of society on the basis of familiarity and non-familiarity with digital technology.  
 (a) Online bidding (b) Digital divide  
 (c) e-business (d) None of these
- 19.** It involves internet-based sale transactions between business firms, including 'Reverse Auction' that facilitates online trading between multiple buyers and seller. What application of e-business is described above?  
 (a) e-communication (b) e-procurement  
 (c) e-delivery (d) None of these
- 20.** ..... is a pre-requisite for implementation of e-business.  
 (a) Website  
 (b) Virtual private network  
 (c) Anti-virus  
 (d) Payment mechanism
- 21.** Which one of the following is not an advantage of traditional business?  
 (a) Direct interaction with customer  
 (b) Low transaction risks than e-business  
 (c) Opportunity for physical sampling of goods  
 (d) Ease of going global
- 22.** Out of the following, which is an advantage of e-business?  
 (a) Personal touch (b) Confidentiality  
 (c) People acceptance (d) Paper-less
- 23.** Match the following.
- | Column I        | Column II   |
|-----------------|---|
| A. B2B commerce | (i) Transactions taking place between two or more customers   |
| B. C2C commerce | (ii) Transactions taking place between business firms         |
| C. B2C commerce | (iii) Transactions taking place between business to customers |

**Codes**

- |                    |                    |
|--------------------|--------------------|
| A B C              | A B C              |
| (a) (i) (ii) (iii) | (b) (ii) (i) (iii) |
| (c) (iii) (i) (ii) | (d) (i) (iii) (ii) |

- 24.** Virtual Private Network (VPN) technology is a technology due to which employees do not have to come to office.
- (a) True (b) False  
(c) Can't say (d) Partially true
- 25.** Purchase of security lock system by Honda from Atom Mortice is an example of C2C transaction.
- (a) True (b) False  
(c) Can't say (d) Partially true
- 26.** Intra-B commerce transactions may be conducted for
- (a) human resource management  
(b) promotional activities  
(c) selling and distribution of goods  
(d) after sale service
- 27.** The volume of B2B transactions is much ..... than the volume of B2C transactions.
- (a) lower (b) higher  
(c) Both (a) and (b) (d) None of these
- 28.** Match the following.

Column I	Column II
A. Business	(i) Low transaction risk due to personal contact between the parties
B. Traditional business	(ii) High transaction risk due to lack of personal contact between the parties
C. Intra business	(iii) Parties involved in the electronic transactions are from within a given business firm only

**Codes**

- |                    |                    |
|--------------------|--------------------|
| A B C              | A B C              |
| (a) (i) (ii) (iii) | (b) (iii) (i) (ii) |
| (c) (ii) (i) (iii) | (d) (i) (iii) (ii) |

- 29.** Various departments of an organisation like purchase, marketing, production, HR, etc can interact with one another using
- (a) B2B commerce (b) B2C commerce  
(c) Intra-B commerce (d) C2C commerce
- 30.** Following can be used to make payment in case of online shopping.
- (a) Credit card (b) Debit card  
(c) Net banking transfer (d) All of these
- 31.** Skylack enterprises is dealing in mobile accessories. With the continuous increase in demand for mobiles, their business is expanding. However, the MD observed that the decision-making process in the enterprise is very slow and level of coordination is decreasing between the various departments. Tejas, an IT professional, suggested that the company should have its own internet to interact and deal between various departments and persons within the firm. MD liked the idea and implemented it immediately. Identify the branch of e-business suggested by Tejas.
- (a) B2B transaction (b) B2C transaction  
(c) Intra-B transaction (d) B2E transaction
- 32.** ..... refers to unauthorised access to a computer network.
- (a) Hacking (b) Cyber crime  
(c) Ethical fall out (d) Problems of wires
- 33.** Purchase of bike by Aman from Akshay using online Bikes 24 app is an example of C2C transaction.
- (a) True (b) False  
(c) Can't say (d) Partially true

**34.** Mail sent by purchase department to production department is example of which of the following?

- (a) B2B (b) B2C
- (c) C2C (d) Intra-B

**35.** Personal-inspection of goods is possible under.

- (a) Traditional business
- (b) e-business
- (c) Both (a) and (b)
- (d) None of the above

**36.** Match the following.

Column I	Column II
A. Complaint lodged by a customer at the company's call centre	(i) B2C
B. Withdrawal of money from ATM	(ii) C2B
C. Employees send their daily report through e-mail	(iii) C2C
D. Sale of used books through e-bay. com	(iv) Intra-B

Codes

- |                         |                         |
|-------------------------|-------------------------|
| A B C D                 | A B C D                 |
| (a) (i) (ii) (iii) (iv) | (b) (iv) (iii) (ii) (i) |
| (c) (ii) (i) (iv) (iii) | (d) (i) (iii) (iv) (ii) |

**37.** Rapid automobiles Ltd is a well known manufactures in the field of e-bikes. The company makes online transactions for purchase of tyres, battery etc. from different business units.

Use of internet has given them much wider choice of suppliers and company finds this online buying very convenient and time saving. Identify the component of e-business being described above.

- (a) B2C commerce (b) B2B commerce
- (c) C2C commerce (d) Intra-B commerce

**38.** An electronic facility of transferring funds through the internet is ..... transfer.

- (a) cash (b) net banking
- (c) credit (d) None of these

**39.** Organisational structure is vertical or tall in case of traditional business due to direct command and communication.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially true

**40.** The scope of e-business is ..... than that of e-commerce.

- (a) narrow (b) wider
- (c) Both (a) and (b) (d) None of these

**41.** "It is the generic term for software programme that retrieve, display and print information on world wide web". Identify what term of e-business referred here.

- (a) ASCII (b) Browser
- (c) VPN technology (d) None of these

**42.** Which of the following are most popular browsers?

- (a) Microsoft internet explorer
- (b) Netscape navigator
- (c) Mosaic
- (d) All of the above

**43.** "Most shopping sites have 'quote your price' option whereby you can bid for the goods and services." What application of e-business is described above?

- (a) e-bidding/e-auction (b) e-promotion
- (c) e-procurement (d) e-trading

**44.** What are the benefits of e-business?

- (a) Convenience
- (b) Global reach
- (c) Movement towards a paperless society
- (d) All of the above

- 45.** Tata Sons and company used a technology due to which employees do not have to come to office. Instead office goes to them and employees can work wherever they are with speed and time convenience their meetings can be held online via tele/video conferencing. Identify which technology is used by the company?
- (a) e-communication  
(b) Virtual Private Network technology (VPN)  
(c) Both (a) and (b)  
(d) None of the above
- 46.** B2C transactions include
- (a) selling and distribution of goods  
(b) conducting consumer surveys  
(c) delivery of product  
(d) All of the above
- 47.** Cost of setting up the infrastructure like building, machines, etc is ..... in traditional business than e-business.
- (a) high  
(b) low  
(c) Both (a) and (b)  
(d) None of the above
- 48.** Which distribution channel is used in e-business?
- (a) Wholesaler (b) Retailer  
(c) Both (a) and (b) (d) None of these
- 49.** Sending quotation of supplying raw material by one businessmen to another is called
- (a) B2B commerce (b) B2C commerce  
(c) C2C commerce (d) Intra-B
- 50.** Name the risk(s) involved in e-commerce.
- (a) VIRUS (b) Hacking  
(c) Both (a) and (b) (d) None of these
- 51.** Common name for ATM, debit card, credit card, metro card etc is
- (a) electronic card (b) smart card  
(c) visa card (d) master card
- 52.** ..... is the electronic currency that exists only in cyberspace.
- (a) Plastic money (b) Digital cash  
(c) Currency note (d) All of these
- 53.** There is greater opportunity for inter-personal touch in case of e-business.
- (a) True (b) False  
(c) Can't say (d) Partially true
- 54.** Creating blogs to form various consumer forums and pressure groups through which an aggrieved customer can share his experience about a product is an example of
- (a) B2C commerce (b) C2C commerce  
(c) Intra B-commerce (d) B2B commerce
- 55.** DELTA Ltd is a leader in online selling of sports item. Recently, the company received an e-mail in its mail junk folder from an anonymous person. On opening the e-mail and after clicking on the link given in the mail, the entire computer system of the company was damaged. Identify the type of e-business risk that has caused damage to the computer system of DELTA Ltd.
- (a) Transaction risk  
(b) Intellectual property and privacy risk  
(c) Data storage and transmission risk  
(d) None of the above

### Assertion-Reasoning MCQs

**Direction** (Q. Nos. 56 to 59) *There are two statements marked as Assertion (A) and Reason (R). 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 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

- 56. Assertion (A)** e-business is one of the most speedy modes of doing business.  
**Reason (R)** e-business offers the convenience of doing business 24 hours × 7 days a week.
- 57. Assertion (A)** e-business is relatively less suitable mode of business in respect of certain products such as clothes, food items, toiletries etc.  
**Reason (R)** It lacks in warmth of inter-personal interactions.
- 58. Assertion (A)** B2C transactions have business firms at one end and their customers on the other end.  
**Reason (R)** Selling used books is the example of B2C transaction.
- 59. Assertion (A)** B2B transactions are the transactions in which a firm interacts with other business.  
**Reason (R)** Creation of utilities or delivering value requires a business to interact with a number of other business firms.

### Case Based MCQs

**Direction** Read the following case study and answer questions 60 to 64 on the basis of the same.

Unique enterprises is dealing in auto spare parts. With the expansion in business, the enterprise found that the decisions are delayed and level of coordination is coming down. The CEO called for a meeting of all the managers.

Ravi a newly appointed manager suggested that company should have its own internet so that all the employees can interact and pass important information to each other through internet. Even short meetings of different departments can be conducted through video conferencing to take fast action.

The CEO liked the idea and installed an internet for connecting all the employees in line. VPN technology also used in the company so that employees do not have to come to office.

- 60.** Which branch of e-business is suggested by Mr. Ravi?  
 (a) C2C commerce  
 (b) Intra-B commerce  
 (c) B2C commerce  
 (d) None of the above
- 61.** Which of the following is not a benefit of e-business?  
 (a) Convenience  
 (b) Ease of formation and lower investment requirements  
 (c) Global Reach / Access  
 (d) Low personal touch
- 62.** “Even short meetings ..... to take fast action.” Identify which benefit of e-business is described in above para.  
 (a) global reach  
 (b) convenience  
 (c) speed  
 (d) movement towards a paperless society
- 63.** “The CEO liked the idea ..... connecting all the employees in line.” Which application of e-business is discussed in above lines?  
 (a) e-trading  
 (b) e-delivery  
 (c) e-communication  
 (d) e-auction
- 64.** “VPN technology also ..... come to office.” What do you mean by VPN technology in above said lines?  
 (a) Virtual private network  
 (b) Vertical private network  
 (c) Very poor network  
 (d) None of the above

**Direction** Read the following case study and answer questions 65 to 69 on the basis of the same.

VDN Ltd. sells computer speakers online. Recently the company got an order of supply of 2 speakers from Ram (a customer). VDN Ltd. sent the speakers to Ram at the wrong address which was not mentioned in the order.

However, speakers were returned back to the company, as the person at the wrong address has denied the placement of order. Again, VDN Ltd. delivered the speakers to the wrong address.

Now, VDN Ltd. says that the company has not received the payment for the speakers while Ram claims that he has already made the payment through his credit card.

- 65.** “VDN Ltd sells computers speakers online” which branch of business is used by VDN Ltd?  
 (a) B2C commerce (b) B2B commerce  
 (c) Intra-B commerce (d) C2C commerce
- 66.** “VDN Ltd sent the speakers ..... order.” Identify the type of transaction risk highlighted in above lines.  
 (a) Default in delivery  
 (b) Default in payment  
 (c) Default in order taking/giving  
 (d) None of the above
- 67.** “VDN Ltd delivered ..... wrong address.” Identify the type of transaction risk highlighted in above paragraph.  
 (a) Default in delivery (b) Default in payment  
 (c) Default in order taking (d) All of these
- 68.** “VDN Ltd says that the company ..... his credit card”. Identify the type of transaction risk highlighted in above paragraph.  
 (a) Data storage risk  
 (b) Default in payment  
 (c) Default in order taking  
 (d) Default in delivery

**69.** Which of the following is not an e-business risk?

- (a) Transaction risk  
 (b) Data storage and transmission risk  
 (c) Risk of threat to intellectual property and privacy  
 (d) Risk of implementation

**Direction** Read the following case study and answer questions 70 to 74 on the basis of the same.

According to the latest UN Human Development Report, industrialised countries, with only 15 per cent of the world’s population, are home to 88 per cent of all internet users.

Less than 1 per cent of people in South Asia are online even though it is home to one-fifth of the world’s population.

The situation is even worse in Africa. With 739 million people, there are only 14 million phone lines. That’s fewer than in Manhattan or Tokyo. 80% of those lines are in only 6 countries.

There are only 1 million internet users on the entire continent compared with 10.5 million in the UK.

Even if telecommunication systems were in place, most of the world’s poor would still be excluded from the information revolution because of illiteracy and a lack of basic computer skills. In Benin, for example, more than 60 per cent of the population is illiterate.

The other 40 per cent are similarly out of luck. Four-fifths of the websites are in English, a language understood by only one in 10 people on the planet.

However, internet is still beneficial since it has a wide reach as on one hand it allows the seller and access to the global market, and on the other hand, it offers to the buyer, freedom to choose, products from almost any part of the world.”

**70.** Which limitation of e-business is brought forward by the above report?

- (a) Low personal touch
- (b) Need for technology capability and competence of parties to e-business
- (c) Order fulfillment speed
- (d) People's resistance

**71.** The report brings forth the fact that only 1 % population of South Asia is online, even though it is home to one-fifth of the world's population.

What according to you can be the reasons for this?

- (a) South Asian countries all mostly under developed countries
- (b) The number of poor and illiterate population is quite high in these countries
- (c) Infrastructure is lacking in these countries
- (d) All of the above

**72.** English has been given the status of a global language, yet it is understood by only 10% of the world population. Do you think it is justified?

- (a) Yes
- (b) No
- (c) Partially No
- (d) None of these

**73.** ..... is the division of society on the basis of familiarity and non-familiarity with digital technology.

- (a) VPN
- (b) Digital divide
- (c) Internet transaction
- (d) None of these

**74.** "It has a wide reach as on one hand it allows the seller and access to the global market and on the other hand, it offers to the buyer, freedom to choose, products from almost any part of the world."

Which benefit of e-business is described in above lines?

- (a) Speed
- (b) Ease of formation
- (c) Global reach
- (d) Convenience

## ANSWERS

### Multiple Choice Questions

1. (c)    2. (a)    3. (a)    4. (a)    5. (d)    6. (b)    7. (c)    8. (a)    9. (b)    10. (b)  
 11. (c)    12. (b)    13. (a)    14. (b)    15. (c)    16. (d)    17. (b)    18. (b)    19. (b)    20. (a)  
 21. (d)    22. (d)    23. (b)    24. (a)    25. (b)    26. (a)    27. (b)    28. (c)    29. (c)    30. (d)  
 31. (c)    32. (a)    33. (a)    34. (d)    35. (a)    36. (c)    37. (b)    38. (b)    39. (b)    40. (b)  
 41. (b)    42. (d)    43. (a)    44. (d)    45. (b)    46. (d)    47. (a)    48. (d)    49. (a)    50. (c)  
 51. (b)    52. (b)    53. (b)    54. (b)    55. (c)

### Assertion-Reasoning MCQs

56. (a)    57. (a)    58. (c)    59. (a)

### Case Based MCQs

60. (b)    61. (d)    62. (c)    63. (c)    64. (a)    65. (a)    66. (c)    67. (a)    68. (b)    69. (d)  
 70. (b)    71. (d)    72. (b)    73. (b)    74. (c)

# EXPLANATIONS

1. e-commerce does not include interactions among the various departments within the business as in e-commerce, transactions take place through the internet and it usually does not have any specific location for conducting the business.
4. OLX.com facilitates C2C i.e. customer to customer transactions. These transactions originate from consumers and ends on consumers. These types of transactions are best suited for dealing in goods for which there is no established market mechanism, as in the case of second hand goods.
6. In case of traditional business, there is a direct and face-to-face contact between customer and business which results in lower transaction risks.
9. In intra-B transactions, parties involved in the electronic transactions are from within a given business firm only.
10. e-trading involves securities trading, i.e online buying and selling of shares and other financial instruments.
12. In case of e-business, investment requirements are lower than that in traditional business as there is no need for creation of physical facilities.
14. As compared to e-business, there is much more opportunity for inter-personal touch in traditional business.
22. Use of internet has reduced the dependence on paperwork. Government departments and regulatory authorities also allow e-filing of returns and reports by the business firms in this direction.
24. Due to this technology, they can work wherever they are with speed and time convenience.
25. It is an example of B2B transaction.
29. In case of Intra-B commerce, use of computer networks makes it possible for different departments of a business to interact with each other.
34. It is a computer based interaction among the different departments which makes it possible for the firm to reap advantages of efficient inventory and cash management.
39. Organisational structure is vertical or tall in case traditional business due to hierarchy or chain of command.
40. e-business includes all types of functions as production, finance, marketing and personal administration as well as managerial activities like planning, organising and controlling can be carried out over internet while e-commerce covers firms transactions with its customers and suppliers over the internet.
48. No, distribution channel is used as manufactures prefer to sell goods and services directly to customers.
52. This type of currency has no real physical properties, but offers the ability to use real currency in an electronic format. This is a form of electronic currency that exists only in cyberspace.
53. There is less opportunity for inter-personal touch in case of e-business.
54. An important C2C area of interactive commerce can be the formation of consumers forum and pressure groups. You might have heard of Yahoo groups. Like a vehicle owner in a traffic jam can alert others via message on radio about the traffic situation of the area he is stuck in, an aggrieved customer can share his experience with a product under and warn others by writing a blog, etc.
58. Selling used books is the example of C2C transactions.
63. Meeting and conferences may be held by the means of video conferencing.
67. The intended delivery does not take place as goods are delivered at wrong address, or goods other than ordered may be delivered. This may be regarded as 'default in delivery'.
68. Seller does not get the payment for the goods supplied whereas the customer claims that the payment was made. This may be referred to as "default in payment".
69. The risks involved in e-business transactions can be classified in three categories
  - (i) Transaction risk.
  - (ii) Data storage and transmission risk.
  - (iii) Threat to intellectual property and privacy risk.
70. e-business not only requires the three traditional skills related to reading, writing and arithmetic, but it also requires a high degree of familiarity with the way a computer works.
73. Need for technology requirement is responsible for digital divide i.e. the division of society on the basis of familiarity and non-familiarity with digital technology.

# 06

## Social Responsibility of Business

### Quick Revision

1. **Concept of Social Responsibility** It refers to the obligation of business towards various groups in the society. Social responsibility of business implies that a business should respect the aspiration of society along with its profit interest. It involves element of voluntary action on the part of business for the benefit of society.

According to Keith Davis, “social responsibility refers to the businessman’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest.”

2. **Arguments for Social Responsibility**

- (i) The existence and growth of the business will be justified only if it continuously supplies good quality products at reasonable price and does not indulge in unfair trade practices.
- (ii) It is in the long-term self-interest of the business to fulfil its social responsibility towards various groups of society, like workers, consumers, shareholders, etc.
- (iii) Businessmen can avoid the problem of government regulations by voluntarily assuming social responsibilities, which helps to reduce the need for new laws.
- (iv) People who are getting deficient goods or services from business may resort to anti-social activities, which can harm the interest of business itself.

Therefore, it is desirable that business enterprises should assume social responsibilities.

- (v) Business institutions have valuable financial and human resources. The business should use these resources for producing socially desirable and good quality products.
  - (vi) Business is capable of converting risky situations into profitable deals. It not only helps in solving problems but can also be used effectively as an opportunity for growth.
  - (vii) A society with fewer problems provides better environment for a firm to conduct its business. A society will have fewer problems only if the business is socially responsible.
  - (viii) Environmental pollution, unsafe workplaces, discriminatory practices in employment, etc. are some of the problems which are created by business enterprises. Social responsibility helps a business to assume the moral obligation of recognising these problems and get involved in solving these problems.
3. **Arguments against Social Responsibility**
- (i) Business exists only for profit maximisation. Therefore, any talk of social responsibility is against this objective.
  - (ii) Businessmen are likely to simply shift their burden of social responsibility by charging higher prices from the consumers instead of bearing it themselves.

- (iii) A businessmen does not have the necessary understanding to solve certain social problems. Therefore, social problems should be solved by other specialised agencies.
- (iv) The public in general does not like business involvement or interference in social programmes. Therefore, business cannot participate in solving social problems because of lack of public confidence and cooperation.

**4. Reality of Social Responsibility** After reading both the arguments in favour of and against social responsibility, one may get puzzled regarding what the businessmen should do. To cope up with such a condition, some real life situations are discussed below

- (i) If it is found that business institutions operate in a socially irresponsible manner, action is taken against them. This threat of public regulation is an important reason due to which business enterprises feel concerned for social responsibility.
- (ii) Labour movement for extracting gains for the working class throughout the world has become very powerful. This has forced business enterprises to pay due regard to the welfare of workers.
- (iii) Development of education, mass media and increasing competition in the market has made the consumer conscious of his rights and powers.  
Thus, it is necessary that a businessman should deliver good quality products to the consumer.
- (iv) It is the society that permits business to exist and grow. New social standards consider the economic activities of business enterprises as legitimate, only if they fulfil their social responsibility.
- (v) Development of business education has made people like consumers, investors, employees more aware about the importance of social responsibility for the business.
- (vi) Business enterprises have started realising the fact that social interest and business interest are complementary. They have also realised that long-term benefit of business lies in serving the society well.

- (vii) Professional management education in universities and specialised management institutes has created a separate class of professional managers. They are more interested in satisfying multiple interests of the society.

#### 5. Kinds of Social Responsibility

- (i) **Economic Responsibility** A business enterprise is basically an economic entity and therefore, its primary social responsibility is to produce goods and services that society wants and sell them at a profit.
- (ii) **Legal Responsibility** Every business has a responsibility to operate within the laws of the land. Since these laws are meant for the good of the society, a law abiding enterprise is a socially responsible enterprise as well.
- (iii) **Ethical Responsibility** This includes the behaviour of the firm that is expected by society, but not codified in law.
- (vi) **Discretionary Responsibility** It signifies a voluntary obligation that an enterprise assumes. e.g. providing charitable contribution to educational institutions, etc.

#### 6. Social Responsibility towards Different Interest Groups

- (i) **Responsibility towards the Shareholders or Owners/Investors** A business enterprise has the responsibility to provide a fair return to the shareholders or owners on their capital investment and to ensure the safety of such investment.
- (ii) **Responsibility towards the Workers** An enterprise should try to give right kind of working conditions and must respect the democratic rights of the workers to form unions. The worker must also be ensured of a fair wage.
- (iii) **Responsibility towards the Consumers** Supply of right quality and quantity of goods and services to consumers at reasonable prices constitutes the responsibility of an enterprise towards its customers.
- (iv) **Responsibility towards the Government and Community** A business should ensure timely and honest payment of taxes and should abide by various rules and regulations laid down by the government.

It should also ensure that environment is not polluted. Business should act according to the well-accepted values of the society.

7. **Corporate Social Responsibility** is the responsibility of enterprises for their impacts on society. Companies Act, 2013 has made it mandatory for the following categories of the company to be socially responsible.

- (i) Every company having a net worth of ₹ 500 crores, or
- (ii) Every company having a turnover of ₹ 1,000 crores, or
- (iii) Every company having a net profit of ₹ 5 crores.

The above categories of companies are required to apportion (share out) 2% of the average net profit for the past three years to activities related to a social cause.

8. **Business and Environmental Protection** A business is socially responsible towards the community to ensure that the environment is not adversely affected by its activities. The quality of environment is deteriorating rapidly particularly due to industrial activities. The basic reason for deterioration of environment is pollution.

The introduction of harmful substances into the environment is referred to as pollution. It changes physical, chemical and biological characteristics of air, land and water. Thus, environment protection is possible through control of pollution.

9. **Causes of Pollution** The environmental pollution arises due to following causes
- (i) **Air Pollution** is the result of the usage of chemicals in industries or by the emission of carbon monoxide by automobiles which degrade the quality of air.
  - (ii) **Water Pollution** When toxic substances enter rivers, streams, etc. and get dissolved or lie suspended in water, it leads to water pollution.
  - (iii) **Land Pollution** Dumping of toxic wastes on land causes land pollution. This damages the quality of land and makes it unfit for agriculture or plantation.

- (iv) **Noise Pollution** is caused by running of factories and vehicles which is not only annoying, but also causes serious health problems like loss of hearing, mental disorder, etc.

10. **Need for Pollution Control**

- (i) It is needed to reduce health hazards like cancer, heart attacks, etc.
- (ii) To reduce the risk of liability of business by installing pollution control devices in its premises.
- (iii) It is also needed to save costs of operating business.
- (iv) A firm's policies and practices for controlling waste will influence people's attitude towards its working and firm will be able to enjoy a good reputation in the eyes of customers.
- (v) Pollution control also results in many other benefits like clearer visibility, better quality of life and the availability of natural products in a purer form.

11. **Role of Business in Environment Protection**

- (i) Top management of the enterprise should be committed to create, maintain and develop work culture for environmental protection and pollution prevention.
- (ii) This commitment should be shared throughout the enterprise by all divisions and employees.
- (iii) They should develop clear-cut policies to purchase good quality raw materials, employing superior technology, using scientific techniques of disposal and treatment of wastes, etc to control pollution.
- (iv) Respect the laws and regulations that are enacted by the government for prevention of pollution.
- (v) Participate in government programmes that are relating to management of hazardous substances, cleaning of rivers, plantation of trees, etc.
- (vi) Periodical assessment of pollution control programmes should be done.
- (vii) Educational workshops should be arranged to impart technical information and share experience with suppliers, dealers and customers, to get them actively involved in pollution control programmes.

# Objective Questions

## Multiple Choice Questions

- Social responsibility of a business refers to ..... efforts on the part of a business to contribute to the welfare of society.
  - compulsory
  - voluntary
  - legal
  - ethical
- Economic responsibility includes the behaviour of the firm that is expected by society, but not codified in law.
  - True
  - False
  - Can't say
  - Partially true
- If business is to operate in a society which is full of diverse and complicated problems, it may have
  - little chances of success
  - great chances of success
  - little chance of failure
  - no relation with success or failure
- Mercury Ltd. decided to donate 2% of its sales to Child Rights and You (CRY) for improving the condition of children in India.
 

This initiative by the company was highly appreciated by the public and their sales increased by 10%. Identify the interest group towards which Mercury Ltd. is discharging its social responsibility?

  - Owners
  - Workers
  - Community or society
  - Consumers

- Match the statement given under Column I with correct option given under Column II.

Column I	Column II
A. Responsibility towards the society	(i) To supply right quality of goods at reasonable prices
B. Responsibility towards the consumers	(ii) To protect natural environment and avoid any type of pollution
C. Responsibility towards government	(iii) To ensure fair wages and a fair deal from management.
D. Responsibility towards workers	(iv) To abide by rules and regulations of the country

### Codes

	A	B	C	D		A	B	C	D
(a)	(i)	(iii)	(ii)	(iv)	(b)	(ii)	(i)	(iv)	(iii)
(c)	(iv)	(iii)	(ii)	(i)	(d)	(i)	(iv)	(iii)	(ii)

- Corporate social responsibility is a term coined in India by
  - Partnership Act, 1932
  - Companies Act, 2013
  - SEBI
  - Environment (Protection) Act, 1986
- Craft enterprises pays wages to its employees at a rate, which is much lower than the minimum wages prescribed by the government. The working conditions in the factory are inappropriate as there is lack of proper ventilation and there is a strict rule against formation of trade union. Against, which 'Group', Craft Enterprises has ignored the social responsibility?
  - Consumers
  - Workers
  - Society
  - Shareholders

- 8.** Ethical responsibility of a business includes
- (a) behaviour of firm that is expected by the society.
  - (b) produce goods and services that society wants.
  - (c) voluntary obligations that a society assumes.
  - (d) paying various statutory dues.
- 9.** Responsibility of a business to prevent pollution can be categorised in which of the following category?
- (a) Political Responsibility
  - (b) Discretionary Responsibility
  - (c) Ethical Responsibility
  - (d) Economic Responsibility
- 10.** A business, enterprise has a responsibility of producing fair returns to ..... on their capital investment.
- (a) labour
  - (b) consumers
  - (c) government
  - (d) investor
- 11.** If a business is socially responsible towards its employees, it is able to check movement of labour. What do you mean by labour movement?
- (a) Movement of labour from one department to another.
  - (b) Movement of labour from one employer to another.
  - (c) Movement of labour from one country to another.
  - (d) Movement of labour from villages to cities.
- 12.** Professional management education in universities and specialised management institutions have create a separate class of professional managers who are more interested in
- (a) profit maximisation
  - (b) satisfying multiple interests of society
  - (c) unethical business practices
  - (d) None of the above
- 13.** Employees will stay with business only if they are satisfied with their working conditions.
- (a) True
  - (b) False
  - (c) Can't say
  - (d) Partilly true

- 14.** Match the following.

Column I	Column II
A. Responsibility towards the shareholders	(i) To provide opportunities for personal growth and development
B. Responsibility towards the workers	(ii) To ensure safety of such investment
C. Responsibility towards the government	(iii) To pay taxes regularly and honestly
D. Responsibility towards the consumers	(iv) To support right quality of goods at reasonable prices

**Codes**

	A	B	C	D
(a)	(i)	(ii)	(iii)	(iv)
(b)	(ii)	(i)	(iii)	(iv)
(c)	(iii)	(ii)	(iv)	(i)
(d)	(i)	(iv)	(iii)	(ii)

- 15.** ..... is the injection of harmful substances into the environment that changes the physical, chemical and biological characteristics of air, land and water.
- (a) Pollution
  - (b) Toxins
  - (c) Liquid and solid waste
  - (d) None of the above
- 16.** “According to Weights and Measures Act, every eatable product should explicitly bear a green dot for vegetarian contents and brown dot for non-vegetarian ingredients”.
- However, this practice is not followed by Swad Pvt Ltd a company engaged in the manufacturing of frozen snaks. Identify the kind of social responsibility being ignored by the company.
- (a) Ethical Responsibility
  - (b) Economic Responsibility
  - (c) Legal Responsibility
  - (d) Discretionary Responsibility

- 17.** Trendz Ltd is a leading manufacturer of garments. The company distributes its defective products free of cost (after getting them repaired from Nari Niketen at lower cost) to the orphanage. Identify and state the kind of social responsibility, which the company is trying to achieve.
- (a) Legal (b) Social  
(c) Discretionary (d) Ethical
- 18.** Which of the following is an act enacted for the environmental protection?
- (a) The Wildlife Protection Act, 1972  
(b) Companies Act, 2013  
(c) FEMA, 1999  
(d) National Green Tribunal Act, 2010
- 19.** A separate department for matters related to environment, department of environment was created by central government in year
- (a) 1985 (b) 2005 (c) 1980 (d) 1990
- 20.** 'To adopt fair trade policies and practices'. It is a example of responsibility of business towards .....
- (a) owners (b) workers  
(c) government (d) consumers
- 21.** Supply of right quality and quantity of goods to consumers at reasonable prices constitutes the responsibility of an enterprise towards government.
- (a) True (b) False  
(c) Can't say (d) Partially true
- 22.** Air pollution is caused by the dumping of chemical waste into big rivers, streams, lakes etc.
- (a) True (b) False  
(c) Can't say (d) Partially true
- 23.** When business firms use eco-friendly method of production, then they are performing social responsibility towards ..... group.
- (a) customer (b) shareholder  
(c) employees (d) community/society
- 24.** It is the social responsibility of every business to take steps to check pollution and to protect the environment. Any business which takes steps in this direction gets which of the following benefits?
- (a) Reduction of capital investment  
(b) Increased customer satisfaction  
(c) Reduction in workforce  
(d) Savings in costs
- 25.** The management of Mars Ltd. manipulated its financial statements to show lesser earnings so that low rate of dividend can be given. Identify the group whose interest is being ignored?
- (a) Customers (b) Shareholders  
(c) Government (d) None of these
- 26.** United Nations has identified ozone depletion as one of the major problems that causes damage to natural environment. It is caused by
- (a) emissions of carbon mono-oxide by industries and vehicles  
(b) increase of O<sub>2</sub> in environment  
(c) dumping of chemical wastes into water bodies  
(d) dumping of toxic wastes on land
- 27.** ..... pollution can be responsible for many diseases like loss of hearing, mental disorder, increase in cholesterol level etc.
- (a) Air (b) Water (c) Noise (d) Land
- 28.** Helping people affected by natural calamities like floods or earthquakes is a discretionary responsibility of the business.
- (a) True (b) False  
(c) Can't say (d) Partially true
- 29.** Respecting the religious sentiments and dignity of people which advertising for a product is an example of ... responsibility.
- (a) economic (b) discretionary  
(c) ethical (d) legal

- 30.** In addition to earning profits, a businessmen has to fulfill certain social obligations. Which of the following is not a social obligation?
- (a) Keep customers satisfied
  - (b) Maintain law and order
  - (c) Keep employees happy
  - (d) Burden on consumers
- 31.** Business is an economic institution, which exists with the basic aim of ..... maximisation.
- (a) welfare                      (b) profit
  - (c) Both (a) and (b)          (d) None of these
- 32.** Aquasure Ltd. manufactures RO water purifiers. In order to increase sales of their product, they encouraged their salesman to make false claims to customers about quality of their RO. This increased the sale of their water purifiers. Identify the group whose interest is being ignored by Squasure Ltd.
- (a) Shareholders              (b) Consumers
  - (c) Government                (d) Society
- 33.** Star Ltd. uses rocks, trees, electric poles, 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
- 34.** Noise pollution has resulted in ozone depletion which is leading to climate change and dangerous warning for the earth.
- (a) True                              (b) False
  - (c) Can't say                        (d) Partially true
- 35.** Which of the following can explain the need for pollution control?
- (a) Cost savings
  - (b) Reduced risk of liability
  - (c) Reduction of health hazards
  - (d) All of the above
- 36.** Environmental protection can best be done by efforts of
- (a) business people
  - (b) government
  - (c) scientists
  - (d) All the people
- 37.** Business should adopt eco-friendly production and marketing processes to ensure environmental protection.
- (a) True
  - (b) False
  - (c) Can't say
  - (d) Partially true
- 38.** Need for social responsibility arises due to the .....
- (a) firm's interest
  - (b) interest of society
  - (c) Both firm's and society's interest
  - (d) None of the above
- 39.** To participate in government programmes relating to management of hazardous substances, cleaning of rivers etc is a legal obligation for every business.
- (a) True
  - (b) False
  - (c) Can't say
  - (d) Partially true
- 40.** Legal provisions make it compulsory for certain classes of ..... to be socially responsible.
- (a) partnership firms
  - (b) cooperative societies
  - (c) companies
  - (d) sole proprietorship firms
- 41.** Which of the following are laws enacted for environmental protection?
- (a) The Environment Act, 1986
  - (b) The Forests Conservation Act, 1980 Amended in 1988
  - (c) The Hazardous Wastes Act, 1989
  - (d) All of the above

**42.** A company is manufacturing fairness cream using synthetic products and bleach, but company is advertising its cream as herbal cream. Also, company did not mention the ingredients on the pack. What value(s) is are being violated by the company?

- (a) Unethical behaviour by cheating customers
- (b) Violating rules of information by not given contents on packings
- (c) Unfair practices of wrong information in advertising
- (d) All of the above

**43.** Use of synthetic fertilisers and pesticides in agriculture leads to

- (a) water pollution
- (b) noise pollution
- (c) land pollution
- (d) air pollution

**44.** 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

**45.** Fast Track Ltd. is a leading manufacturer of automobiles spare parts. The managing director of the company is of the view that business is an economic institution, which exists with the basic objective of profit maximisation and assuming social responsibility is against this objective.

However, one of the newly appointed manager tried to convince MD in favour of social responsibility. Which factor is highlighted by the manager to the MD?

- (a) Reality of social responsibility
- (b) Need for social responsibility
- (c) Both (a) and (b)
- (d) None of the above

**46.** Match the following.

Column I	Column II
A. What is right and what is wrong, is judged on the basis of socially determined standards of human behaviour.	(i) Social responsibility
B. Business enterprises should take some steps like top management commitment, periodical assesment of pollution control programmes etc.	(ii) Environment protection
C. Its obligation to take decisions and perform actions which are desirable in terms of objective and values of our society.	(iii) Business ethics

**Codes**

- A B C
- (a) (iii) (i) (ii)
- (b) (iii) (ii) (i)
- (c) (ii) (i) (iii)
- (d) (i) (ii) (iii)

**47.** Business people have the skills to solve

- (a) all social problems
- (b) some social problems
- (c) no social problems
- (d) all economic problems

**48.** The national society of professional engineers had a code, which requires professionals to

- (a) dissociate themselves from organisations that are of a questionable character
- (b) further the cause of public good
- (c) advice clarity, the consequences of a technical opinion is overruled by a non technical person
- (d) All of the above

- 49.** Which responsibility of the business is not the responsibility of the business to the government?
- Following the pollution laws as set by the government.
  - Establishment of the industrial undertaking as per the government norms.
  - Providing after sales service.
  - Payment of taxes, fees, surcharge etc with the honesty.
- 50.** E-choupal is an initiative of Indian Tobacco Corporation (ITC) Limited to link directly with rural farmers for procurement of agricultural produce. E-choupal was conceived to tackle the challenge posed by the unique features of Indian agriculture characterised by fragmented farms, weak infrastructure and the involvement of numerous intermediaries. Through E-choupal ITC aims to change the quality of life and the entire outlook of Indian farmers. Towards which interest group, is ITC discharging its social responsibility?
- Shareholders
  - Consumers
  - Community or society
  - Owners
- 51.** Samarjeet has a sweet shop. During the festive season of Diwali, he purchased adulterated khoya and paneer at very low rates in order to make huge profits. As a result, many people fell sick after consuming the sweets because of food poisoning. Do you think, Samarjeet is a socially responsible sweet seller?
- No
  - Partially yes
  - Yes
  - None of these
- 52.** An enterprise must behave as a good citizen is an example of its responsibility towards
- owners
  - workers
  - consumers
  - community
- 53.** Every business enterprise should install pollution control devices in its premises to reduce pollution and avoid penalties.
- True
  - False
  - Can't say
  - Partially true
- 54.** If an enterprise is creating good working environment for its workers, then, in this case, which responsibility is being fulfilled by the business?
- Responsibility towards shareholders
  - Responsibility towards workers
  - Responsibility towards owners
  - Responsibility towards consumers
- 55.** Government intervention is costly to businessmen and restricts their flexibility and freedom of making decisions.
- True
  - False
  - Can't say
  - Partially true

### Assertion-Reasoning MCQs

**Direction (Q. Nos. 56 to 60)** *There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below*

- Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)
- Assertion (A) is true, but Reason (R) is false
- Assertion (A) is false, but Reason (R) is true

- 56.** **Assertion (A)** Legal obligations are the compulsions which should be followed as per the provisions of law.

**Reason (R)** Social responsibility is the voluntary action on the part of business for its society.

**57. Assertion (A)** Economic activities of business are legitimate even if business does not fulfil social responsibility.

**Reason (R)** Services to the society increases the growth chances of business.

**58. Assertion (A)** Social responsibility is a legal responsibility of the business.

**Reason (R)** Companies Act, 2013, provides for the social responsibility of business.

**59. Assertion (A)** Social responsibility is restricted towards a particular section of society.

**Reason (R)** Social responsibility ensures a fair remuneration for the work.

**60. Assertion (A)** A business should ensure timely and honest payment of taxes and should abide by rules laid down by the government.

**Reason (R)** Business should act according to the well accepted values of the society.

### Case Based MCQs

**Direction** Read the following case study and answer questions 61 to 65 on the basis of the same.

Inn Trin Ltd is a well known company in telecom sector. The company is committed to treat everyone fairly with respect and dignity, regardless of difference in age, caste, creed, gender etc. It not only abide by all the laws and pay taxes on time, but also make service and participate in social service projects. It prefer to give fair advertisement without any exaggeration, and change fairly from its customers and maintain quality. Its managers work effectively and efficiently and minimise waste to maximise the return to their shareholders. The company is also running a charitable hospital to provide medical facility to the people of that area.

**61.** “Company is committed ..... creed and gender etc”. Identify towards which interest group, company is fulfilling its social responsibility?

- (a) Government
- (b) Consumer
- (c) Community
- (d) Employees

**62.** “It not only abide by all the laws ..... and for taxes on time”. In this paragraph, towards which interest group company is fulfilling responsibility?

- (a) Government
- (b) Consumer
- (c) Society
- (d) Employee

**63.** “It prefer to give fair ..... quality”. In the above lines, identify towards which interest group company is fulfilling its social responsibility?

- (a) Owners
- (b) Employees
- (c) Consumers
- (d) Investors

**64.** “Managers work effectively ..... return to their shareholder”. In the above lines, identify towards which interest group company is fulfilling its social responsibility?

- (a) Shareholders/owners
- (b) Community/society
- (c) Employees
- (d) Government

**65.** “The company is running a charitable hospital ..... that area.” In the above lines, identify towards which interest group company is fulfilling its social responsibility?

- (a) Shareholders
- (b) Community
- (c) Employees
- (d) Consumer

**Direction** Read the following case study and answer questions 66 to 70 on the basis of the same.

Dinesh is the CEO of a pharmaceutical company 'Alpha-Beta' with net worth of ₹ 500 crores. The company is based in Jabalpur which is famous for its soft marble. Many craftsmen make beautiful statues from the marble. However, they made barely enough to fulfil their basic needs.

On researching about the probable reasons for their plight, Dinesh found that they were unorganised and lacked the financial strength to market their produce.

As a part of his CSR, Dinesh created a fund of ₹ 50 lakhs and advanced them a certain sum which enabled them to stock over their inventory. He also opened a school and a health centre for these craftsmen.

**66.** ..... is the responsibility of enterprises for their impacts on society.

- (a) Corporate Social Responsibility
- (b) Company Social Responsibility
- (c) Corporate Service Responsibility
- (d) None of the above

**67.** Company is required to mandatorily, abide the provisions of which of the following law?

- (a) Partnership Act, 1932
- (b) Companies Act, 2013
- (c) Environment Act, 1986
- (d) None of the above

**68.** Is Dinesh fulfilling his social responsibility?

- (a) Yes
- (b) No
- (c) Can't say
- (d) None of these

**69.** Is it mandatory for Alpha-Beta company to spend money for the upliftment of the society?

- (a) Yes
- (b) No
- (c) Both (a) and (b)
- (d) None of these

**70.** What proportion is required for companies like Alpha-Beta, to spend on activities related to social cause?

- (a) 5% of the average net profit for past 3 years
- (b) 2% of the average net profit for past 3 years
- (c) 3% of the average net profit for past 5 years
- (d) 2% of the average net profit for past 5 years

**Direction** Read the following case study and answer questions 71 to 75 on the basis of the same.

By the early 1990s, there was considerable pressure for governments to create agreements concerning the environment and its protection. In 1992, the United Nations Conference on Environmental and Development (UNCED) was held in Rio de Janeiro. The main outcome of the conference was Agenda 21, which marked an important landmark in the sustainable development fight and inter country cooperation.

Agenda 21 was the main document signed at the conference. It was over 800 pages long and represented a new global commitment to sustainable development.

It was not a legally binding document, but was devised as a working plan which countries would follow. The conference marked the start of global cooperation, which was needed to deal with the many issues, including concern for the environment.

The concept is supporting, sustainable development. Many businesses have integrated a strategy of sustainability (taking into account its three main aspects-economic, environment, social, etc). It makes good business sense for companies to be environment-friendly as improved efficiency in manufacturing in turn leads to a more efficient use of natural resources.

Operating efficiently translates to competitive advantage for business and supports the economic pillar of sustainability as well. Therefore, all aspects of sustainability are seen as complementary and mutually interdependent.

**71.** Where was the United Nations Conference on Environmental and Development (UNCED) organised?

- (a) USA
- (b) Rio De Janeiro
- (c) UK
- (d) India

**72.** “It is an approach in which resources are used in balanced form to meet human needs without causing much harm to the natural environment, with this approach present needs of human beings can be met along with sustaining resources for future generation.”

Which approach is discussed in above paragraph?

- (a) Environment protection
- (b) Sustainable development
- (c) Corporate social responsibility
- (d) Business ethics

**73.** This document states, that responsible businesses, should play a major role in improving the efficiency of resource use.

This can be done by minimising waste and protecting human health and environmental quality. Identify which document is discussed above in the given para?

- (a) Code of ethics
- (b) Environment action plan
- (c) Agenda 21
- (d) None of the above

**74.** United Nations has identified many problems that cause damage to the natural environment. What problem(s) is /are referred here?

- (a) Ozone depletion
- (b) Deforestation
- (c) Danger to biological diversity
- (d) All of the above

**75.** Which of the following can explain the need for pollution control?

- (a) To control waste
- (b) Clearer visibility
- (c) Availability of natural products in pure form
- (d) All of the above

## ANSWERS

### Multiple Choice Questions

1. (b)    2. (b)    3. (a)    4. (c)    5. (b)    6. (b)    7. (b)    8. (a)    9. (b)    10. (d)  
 11. (b)    12. (b)    13. (a)    14. (b)    15. (a)    16. (c)    17. (c)    18. (a)    19. (c)    20. (c)  
 21. (b)    22. (b)    23. (d)    24. (d)    25. (b)    26. (a)    27. (c)    28. (a)    29. (c)    30. (d)  
 31. (b)    32. (b)    33. (c)    34. (b)    35. (d)    36. (d)    37. (a)    38. (c)    39. (b)    40. (c)  
 41. (d)    42. (d)    43. (c)    44. (a)    45. (a)    46. (b)    47. (b)    48. (d)    49. (c)    50. (c)  
 51. (a)    52. (d)    53. (a)    54. (b)    55. (a)

### Assertion-Reasoning MCQs

56. (b)    57. (d)    58. (a)    59. (d)    60. (a)

### Case Based MCQs

61. (d)    62. (a)    63. (d)    64. (a)    65. (b)    66. (a)    67. (b)    68. (a)    69. (a)    70. (b)  
 71. (b)    72. (b)    73. (c)    74. (d)    75. (d)

# EXPLANATIONS

2. Ethical responsibility includes the behaviour of the firm that is expected by society, but not codified in law.
3. This is because of the fact that every business makes use of society's resources such as human and physical capital. Thus in case a society faces social problems such as unemployment, illiteracy, poverty and inadequate physical capital, they will affect the operations of a business adversely.
8. A business has four kinds of responsibilities economic, legal, ethical and discretionary. Ethical responsibility requires a business to respect dignity of people, respecting their religious, social and human values.
10. Owners and investors put their money into business entities with a desire to earn returns and security of their investment, therefore, it is a responsibility of a business to remunerate them with fair returns.
11. Due to increasing want of a better lifestyle and a better pay, labour keep moving from one employer to another due to which businesses have to suffer shortage of skilled labour.
16. A law abiding enterprise is a socially responsible enterprise. Therefore, every business has a responsibility to operate within the laws and fulfill their legal responsibility by following the regulations and paying various statutory dues.
17. There is a purely voluntary obligation that an enterprise assumes. A business enterprise assumes this responsibility to show its concern towards problems faced by the society.
21. It constitutes the responsibility of an enterprise towards its customers.
22. Air pollution is the result of the usage of chemicals in industries, factories and plants or by the emission of carbon monoxide by vehicles.
23. It is trying to achieve the social objective. It is trying to fulfill its social responsibility towards the society, country and the environment by taking a step to save the environment from pollution by using eco-friendly techniques.
24. Measures aimed at environmental protection reduces wastages and increase in efficiency of workforce, thus results in cost savings.
25. A business enterprise has the responsibility to provide a fair return to the shareholders or owners on their capital investment and to ensure the safety of such investment.
30. Businessmen are likely to simply shift their burden of social responsibility by charging higher prices from the consumers instead of bearing it themselves.
32. Supply of right quality and quantity of goods and services to consumers at reasonable prices constitutes the responsibility of an enterprise towards its customers.
34. Air pollution has resulted in ozone depletion which results in global warming. It is considered as a warning signal for the earth and is dangerous for all living beings.
38. Business is a creation of society and it exists to serve customers. Also, the employees of the business, the investors, its creditors are all part of society. Thus, a healthy relationship should always be there between the firm and the society to avail fruitful results.
39. It is the social responsibility of every business to participate in government programmes relating to management of hazardous substances etc.
43. Dumping of toxic wastes on land causes land pollution. This damages the quality of land and makes it unfit for agriculture or plantation.
45. Business enterprise should assume social responsibility in addition to earning profit. Although business is an economic institution,

which operates with the basic aim of profit maximisation, but it should give due importance to social problems in order to survive and to build good public image in the long-run.

- 47.** Environment pollution, unsafe workplace, corruption in public institutions and discriminatory practices in employment are some of the social problems which can be solved with the help of business people.
- 51.** Samarjeet is not a socially responsible sweet seller as he is ignoring his social responsibility towards consumers and society.
- 56.** Every business has a responsibility to operate within the laws of land and fulfil their legal responsibility by paying statutory dues.
- 57.** It is the society that permits business to exist and grow. New social standards consider the economic activities of business enterprises as legitimate, only if they fulfil their social responsibility.
- 59.** Social responsibility is not restricted to particular section of society rather it is a responsibility towards shareholders, workers, government, consumers, community or society.
- 67.** Companies Act, 2013 is mandatory for the company having net worth of ₹ 500 crores.
- 68.** Dinesh is fulfilling his social responsibility as he has opened a school and a health centre for the craftsmen.
- 69.** The net worth of Alpha-Beta company is ₹ 500 crore. Therefore it is mandatory for them to spend money for the upliftment of the society.



# Practice Papers 1-3

**CBSE**  
New Pattern





# PRACTICE PAPER 1

## *Business Studies Class 11th (Term I)*

### Instructions

1. This paper has 40 questions, carrying 1 mark each.
2. All questions are compulsory.
3. Answer the questions as per the given instructions.

M.M. : 40

Time : 90 Minutes

### Multiple Choice Questions

**Direction** (Q. Nos. 1-20) All the questions have four options out of which only one is correct. Choose the correct option as your answer.

1. Darshan Sharma prepares 'Sohanpatri' for customers during Diwali season every year. He prepared more 'Sohanpatri' due to increased demand with adulterated ingredients. He employed women and children for packing and paid them less salary. This way he generated good profit from himself. Which objective of business is not fulfilled here?  
(a) Personal  
(b) Social  
(c) Economical  
(d) None of these
2. Public enterprises are owned by the public.  
(a) True  
(b) False  
(c) Can't say  
(d) Partially true

3. Match the 'nature of services' in column I with their respective statement in column II.

Column I	Column II
A. Involvement	(i) Simultaneous activity of production and consumption.
B. Inventory	(ii) Perishable nature.
C. Inseparability	(iii) Participation of the customer.
D. Intangibility	(iv) Can't be seen and touched

### Codes

A	B	C	D	A	B	C	D		
(a)	(iii)	(ii)	(i)	(iv)	(b)	(iii)	(i)	(ii)	(iv)
(c)	(i)	(ii)	(iii)	(iv)	(d)	(ii)	(i)	(iii)	(iv)

4. Tea is mainly produced in Assam, while cotton in Gujarat and Maharashtra but they are required for consumption in different parts of the country. How can this hindrance of place be removed?  
(a) Through warehousing  
(b) Through banking  
(c) Through transportation  
(d) Through advertising

- 5.** An American firm 'Zebzik Enterprise' purchased handmade decorative pieces from India, re-packaged and sold them in its own name to Germany. The above transactions represents
- Entrepot for Zebzik Enterprise, Export for India and Import for Germany.
  - Export for Zebzik Enterprise, Import for India and Entrepot for Germany.
  - Import for Zebzik Enterprise, Entrepot for India and Export for Germany.
  - Import for Zebzik Enterprise, Export for India and Entrepot for Germany.
- 6.** Joint life policy is taken up by a person for his/her children to meet the expenses of their education or marriage.
- True
  - False
  - Can't say
  - Partially true
- 7.** At present, Samanvi has ₹ 32,50,000 balance in her Savings Bank Account in Axis Bank. She has a good salary and at the end of every month, her balance in the savings account increases. Ritvi, Manager of Axis Bank, also Samanvi's close friend, advised her to maintain an account which is a combination of both savings account and deposit account.
- Ritvi told Samanvi that this account interlinks the savings bank account with a deposit account and any amount in excess of a pre-determined amount is automatically transferred to a fixed deposit and it will enable her to earn better interest. Identify the type of bank account advised by Ritvi to Samanvi.
- Fixed deposit account
  - Recurring deposit account
  - Multiple option deposit account
  - Saving deposit account

- 8.** If the required outlay for the project is so large that it cannot easily be arranged within the available means, the project has to be given up. Which aspect has been highlighted by aforesaid statement?
- Technical feasibility
  - Economic feasibility
  - Financial feasibility
  - Professional feasibility
- 9.** Muskaan insured her cargo ship against perils of sea through a Marine Insurance Policy of ₹ 10,00,000. During the voyage, the sea water entered into the ship and the cargo was damaged. She suffered a loss of ₹ 3,00,000. She filed a claim for the loss against the insurance company.
- Which principle of insurance is highlighted in the above case?
- Subrogation
  - Mitigation
  - Contribution
  - Proximate cause
- 10.** The shares of a government company are purchased in the name of .....
- The PM of India
  - The President of India
  - The Governor
  - The Finance Minister
- 11.** Rapid Automobiles Ltd. is a well-known manufacturer in the field of e-bikes. The company makes online transactions for purchase of tyres, battery, etc. from different business units. Use of internet has given them much wider choice of suppliers and company finds this online buying very convenient and time saving. Identify the component of e-business being described above.
- C2C
  - B2B
  - B2C
  - B2G

- 12.** It is the responsibility of every business to provide accurate and full information about its working as well as schemes of future growth.  
Towards which interested group is this social responsibility related to?  
(a) Consumers  
(b) Employees  
(c) Investors  
(d) Government
- 13.** ‘Indian Railways’ is a part of Railway Ministry. It is organised, financed and controlled by Railway Ministry. The finances are allocated from government treasury and whatever revenue it earns is deposited to government treasury only. It is treated as a part of government and even the appointment, recruitment and selection of employees is done in the same way as that of civil servant.  
Name the type of public sector enterprise ‘Indian Railways’ is  
(a) statutory corporation  
(b) government company  
(c) departmental undertaking  
(d) None of the above
- 14.** Legal obligations are compulsory for business to be followed as per provisions of law, while social responsibility is the voluntary action for the betterment of society.  
(a) True (b) False  
(c) Can't say (d) Partially true
- 15.** e-business only includes buying and selling goods and services over the internet.  
(a) True  
(b) False  
(c) Can't say  
(d) Partially true
- 16.** Some organisations are directly attached to a particular ministry of the central or state government and are under the direct control of the concerned minister. The business decisions are thus influenced by political consideration. State the type of enterprise come under this category.  
(a) Statutory corporation  
(b) Government company  
(c) Departmental undertaking  
(d) None of the above
- 17.** Mercury Ltd. decided to donate 2% of its sales to Child Rights and You (CRY) for improving the condition of children in India. This initiative by the company was highly appreciated by the public and their sales increased by 10%. Identify the interest group towards which Mercury Lad in discharging its social responsibility.  
(a) Consumer  
(b) Community  
(c) Government  
(d) Employees
- 18.** There is a less opportunity for inter-personal touch in case of .....  
(a) traditional business (b) retail business  
(c) e-business (d) None of these
- 19.** e-Choupal is an initiative of Indian Tobacco Corporation (ITC) Limited to link directly with rural farmers for procurement of agricultural produce. e-Choupal was conceived to tackle the challenge posed by the unique features of Indian agriculture characterised by fragmented farms, weak infrastructure and the involvement of numerous intermediaries. Through e-Choupal, ITC aims to change the quality of life and the entire outlook of Indian farmers.

Towards which interest group, is ITC discharging its social responsibility?

- (a) Society
- (b) Consumers
- (c) Employees
- (d) Shareholders

**20.** Which of the following statement(s) is/are not true?

- (a) Pollution causes danger to biological diversity
- (b) Controlling pollution can result in reduction of health hazards
- (c) The Wildlife Protection Act was enacted in 1992
- (d) None of the above

### Assertion-Reasoning MCQs

**Direction** (Q.Nos. 21 to 25) *There are two statements marked as Assertion (A) and Reason (R). 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 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

**21. Assertion (A)** Life insurance is a contract of indemnity.

**Reason (R)** According to principle of indemnity, the insured is entitled to recover the extent of the loss suffered by him, up to the limit of the amount covered by the policy.

**22. Assertion (A)** Under e-business, communication can flow in any direction.

**Reason (R)** There is high transaction risk in e-business due to lack of personal contact between the parties.

**23. Assertion (A)** Every partner is both an agent and a principal.

**Reason (R)** Partner is an agent of other partners as he is bound by the acts of other partners.

**24. Assertion (A)** Business is a non-economic activity.

**Reason (R)** Business is undertaken with the aim of earning money.

**25. Assertion (A)** It is in the long-term interest of a business to assume social responsibility.

**Reason (R)** Better social relationship improves its public image and prospects of growth in the long-run.

### Case Based MCQs

**Direction** *Read the following case study and answer questions 26 to 30.*

Sunaina and Seema Reddy are best friends. After completing a course in Fashion Designing, five years back, both of them started their own separate outlets in Delhi and Chennai respectively to earn their livelihood.

Sunaina buys readymade garments from various manufacturers and sells them in her store. However, Seema Reddy designs her own range of clothing. She gets them made through her team of designers and sells them directly under the brand name 'Forever Young'.

Although, both of them are making good returns on their investments but in past they have also incurred huge losses due to changes in the taste and preference of consumer and fashion. Also, despite being in business for such a long time, they cannot say with certainty as to what amount of profit will be earned by them in future.

- 26.** Identify the type of human activity Sunaina and Seema is doing.
- Economic activity
  - Non-economic activity
  - Both (a) and (b)
  - None of the above
- 27.** Identify the category of economic activity Sunaina and Seema is doing.
- Profession
  - Employment
  - Job
  - Business
- 28.** “After completing a course in Fashion Designing, five years back, both of them started their own separate outlets in Delhi and Chennai respectively to earn their livelihood.” Which feature of business is highlighted here?
- Uncertainty of return
  - Dealing in goods on regular basis
  - An economic activity
  - Element of risk
- 29.** “Seema Reddy designs her own range of clothing”. Which nature of business highlighted here?
- Art
  - Science
  - Profession
  - None of these
- 30.** “Although, both of them are making good returns on their investments but in past they have also incurred huge losses due to changes in the taste and preference of consumer and fashion.” Which feature of business is highlighted here?
- Uncertainty of return
  - Dealing in goods on regular basis
  - An economic activity
  - Element of risk

**Direction** Read the following case study and answer questions 31 to 35.

Four friends Ramesh, Roshan, Rohit and Shabnam completed their studies of B.Com and prepared themselves to enter the banking sector.

All the four of them wished to serve the people in a better way by becoming bank employees. All the four of them appeared in the banking examination and passed with good marks. Ramesh was appointed as a manager in ‘Doha Bank’. Roshan got the post of P.O. in Punjab National Bank.

Rohit and Shabnam were respectively selected in the Federal Bank and Reserve Bank of India. Both of them had not got the appointment letters yet.

- 31.** Identify the type of bank of Ramesh.
- Public Sector Bank
  - Private Sector Bank
  - Foreign Bank
  - Central Bank
- 32.** Roshan was appointed as P.O. Identify the type of his bank.
- Public Sector Bank
  - Private Sector Bank
  - Foreign Bank
  - Central Bank
- 33.** To which class does the Federal Bank belong?
- Public Sector Bank
  - Private Sector Bank
  - Foreign Bank
  - Central Bank
- 34.** Identify the class of bank, the appointment letter of which is being awaited by Shabnam.
- Public Sector Bank
  - Private Sector Bank
  - Foreign Bank
  - Central Bank
- 35.** Out of these banks, which bank is Indian commercial bank?
- Federal Bank
  - Reserve Bank of India
  - Punjab National Bank
  - Doha Bank

**Direction** Read the following case study and answer questions

36 to 40.

Dhruv, Sarthak and Dheeraj are three partners in a firm. The name of the firm is 'Friends Pustak Bhandar'. The latest books of almost all subjects remain available at the Pustak Bhandar.

All the three partners decided that 10% of the total profit of the firm would be distributed among the poor children every year. This has a very positive effect on the goodwill of the firm.

Dheeraj is a renowned businessman who allowed the use of his name by the firm but does not contribute capital. Sarthak had contributed capital to the firm but does not participate in the management of the firm. Dhruv actively participates in the management and does business on behalf of other partners.

- 36.** Which type of business organisation highlighted in the above case?  
(a) Sole proprietor (b) Partnership  
(c) HUF (d) Company
- 37.** Identify the type of partner Dhruv is in 'Friends Pustak Bhandar'.  
(a) Active (b) Secret  
(c) Nominal (d) Estoppel
- 38.** Identify the type of partner Sarthak is in 'Friends Pustak Bhandar'.  
(a) Active (b) Secret  
(c) Sleeping (d) Estoppel
- 39.** Identify the type of partner Dheeraj is in 'Friends Pustak Bhandar'.  
(a) Nominal (b) Secret  
(c) Sleeping (d) Estoppel
- 40.** Which feature of partnership highlighted in the above case?  
(a) Sharing profits (b) Two or more partners  
(c) Both (a) and (b) (d) None of these

# PRACTICE PAPER 1

## OMRSHEET

### Instructions

- Use black or blue ball point pens and avoid gel pens and fountain pens for filling the sheets
- Darken the bubbles completely. Don't put a tick mark or a cross mark half-filled or over-filled bubbles will not be read by the software.



- Do not write anything on the OMR Sheet
- Multiple markings are invalid

1	(a)	(b)	(c)	(d)
2	(a)	(b)	(c)	(d)
3	(a)	(b)	(c)	(d)
4	(a)	(b)	(c)	(d)
5	(a)	(b)	(c)	(d)
6	(a)	(b)	(c)	(d)
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39	(a)	(b)	(c)	(d)
40	(a)	(b)	(c)	(d)

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# PRACTICE PAPER 2

## *Business Studies Class 11th (Term I)*

### Instructions

1. This paper has 40 questions, carrying 1 mark each.
2. All questions are compulsory.
3. Answer the questions as per the given instructions.

M.M. : 40

Time : 90 Minutes

### Multiple Choice Questions

**Direction** (Q. Nos. 1-20) *All the questions have four options out of which only one is correct. Choose the correct option as your answer.*

1. Ram, Mohan and Sohan are good friends. Ram is working as a doctor in a private hospital and getting salary of ₹1,50,000 per month. Mohan is a farmer and producing 50 quintals wheat for his own consumption. Sohan is working as a teacher in a school and getting salary of ₹40,000 per month. In addition to that, Sohan teaches some slum area children in the evening and does not charge anything from them. It gives him a psychological and mental satisfaction. Which type of human activity is performed by Ram?
- (a) Economic activity
  - (b) Non-economic activity
  - (c) Both (a) and (b)
  - (d) None of the above

2. Match the 'various e-banking services' in column I with their respective statement in column II.

Column I	Column II
A. Debit card	(i) 'Customer of a branch' to 'Customer of a bank'.
B. Credit card	(ii) A card is issued to a customer in lieu of his money deposited in the bank.
C. Core banking	(iii) This is a sort of overdraft facility.
D. Bank draft	(iv) Working as a outstation cheque

#### Codes

	A	B	C	D		A	B	C	D
(a)	(i)	(iii)	(ii)	(iv)	(b)	(i)	(ii)	(iii)	(iv)
(c)	(ii)	(iii)	(i)	(iv)	(d)	(ii)	(i)	(iii)	(iv)

3. Mr. Harish Kalra is a farmer and cultivates sugarcane on a large piece of land in a district in Maharashtra. Mr. Harish has sold his ancestral house for ₹40 lakhs.

His son, Saksham proposes him to establish a sugar mill with this money as the raw material sugarcane will be available from their fields. Mention the type of industry in which Harish is engaged in.

- (a) Primary (b) Secondary  
(c) Tertiary (d) Service

**4.** A departmentally run enterprise enjoys corporate status.

- (a) True (b) False  
(c) Can't say (d) Partially false

**5.** Mr. Naresh Batra, a businessman, incurred some financial loss due to the dishonesty of his workers. This loss is caused due to .....

- (a) natural cause (b) financial cause  
(c) human cause (d) economic cause

**6.** Family floater health insurance policy covers the hospitalisation expenses of an individual upto a specified limit.

- (a) True (b) False  
(c) Can't say (d) Partially true

**7.** Name and discuss the benefits of banking service in which the customer can conduct banking activities like managing savings, checking accounts, applying for loans, etc. over the internet.

- (a) Mobile banking (b) Physical banking  
(c) e-banking (d) None of these

**8.** Which of the following is not related to One Person Company?

- (a) No person shall be eligible to incorporate more than a One Person Company or become nominee in more than one such company.  
(b) No minor shall become member or nominee of the One Person Company or can hold share with beneficial interest.  
(c) Such company cannot be incorporated or converted into a company under Section 8 of the Act.  
(d) Such company can carry out Non-Banking Financial Investment activities including investment in securities of anybody corporates.

**9.** Anubhav took a fire insurance policy for his property worth ₹10,00,000 with two insurers: Shri Ram General Insurance Co. Ltd. for ₹8,00,000 and Bajaj Allianz General Insurance Co. Ltd. for ₹4,00,000. An electric short circuit in his property caused fire and it resulted in a loss of ₹ 3,00,000. He filed a claim for ₹ 3,00,000 against each of the two insurance companies. Which principle of insurance is highlighted in the above case?

- (a) Subrogation (b) Indemnity  
(c) Contribution (d) Mitigation

**10.** ..... organisation is formed by passing a Special Act of Parliament of state legislature.

- (a) Statutory corporation  
(b) Government company  
(c) Departmental undertaking  
(d) None of the above

**11.** Intra-B transactions involves a firm's interactions with its employees.

- (a) True (b) False  
(c) Can't say (d) Partially false

**12.** It is the moral obligation of business to get involved in solving social problems, instead of expecting other social agencies dealing with them. It is related to which justification of social responsibility?

- (a) Better environment for doing business  
(b) Holding business responsible for social problems  
(c) Maintenance of society  
(d) Converting problems into opportunities

**13.** The control of central government on departmental undertakings is very effective. This control on departmental undertakings is subject to

- (a) Government control  
(b) IAS officers control  
(c) Parliamentary control  
(d) Control by CAG

14. Craft Enterprises pays wages to its employees at a rate which is much lower than the minimum wages prescribed by the government. The working conditions in the factory are inappropriate as there is lack of proper ventilation and there is a strict rule against formation of Trade Union. Against which 'group', Craft Enterprises has ignored the social responsibility?

- (a) Community
- (b) Consumers
- (c) Government
- (d) Workers

15. Chennai Pharmaceuticals Co. Ltd., registered under the Companies Act, 2013, was started with a paid up capital of ₹ 50,00,000. 40% of this paid up capital is in the hands of private individuals and the balance is held by the government of Chennai. Chennai pharmaceuticals belongs to which form of public sector enterprises?

- (a) Statutory corporation
- (b) Government company
- (c) Departmental undertaking
- (d) None of the above

16. Shivangi wants to buy a new laptop with latest features and want to sell the old laptop before buying the new one. So, she listed her old laptop on Quikr.com. She received good response from her post and was able to sell the laptop at good price. Identify the component of e-business being described above.

- (a) C2C
- (b) B2B
- (c) Intra-B
- (d) B2G

17. Development of business education has made people aware of the importance of social responsibility for the business.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially true

18. The transactions taking place between consumers and business are known as

- ..... .
- (a) B2B
  - (b) B2C
  - (c) C2C
  - (d) None of these

19. The management of Mars Ltd. manipulated its financial statements to show lesser earnings so that low rate of dividend can be given. Identify the group whose interest is being ignored?

- (a) Society
- (b) Employees
- (c) Shareholders
- (d) Consumers

20. By providing quality product at reasonable price, business is fulfilling its responsibility towards .....

- (a) society
- (b) government
- (c) consumers
- (d) employees

### Assertion-Reasoning MCQs

**Direction** (Q.Nos. 21 to 25) *There are two statements marked as Assertion (A) and Reason (R). 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 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

21. **Assertion (A)** In case of fire insurance, insurable interest must be present at the time of taking the policy as well as at the time of loss of subject matter.

**Reason (R)** Fire must be the proximate cause of damage or loss in a fire insurance policy.

22. **Assertion (A)** e-business has considerably increased dependence on paperwork.

**Reason (R)** In case of e-business, most of the work is done electronically through computers.

- 23. Assertion (A)** The karta cannot be an expert in all areas of management.  
**Reason (A)** The inability of karta to decide effectively may result into losses for the organisation.
- 24. Assertion (A)** Auxiliaries to trade are generally referred as services.  
**Reason (R)** Auxiliaries to trade facilitate activities relating to industry and trade.
- 25. Assertion (A)** Businessman often pass the burden of social responsibility to consumers.  
**Reason (R)** Businessman charging lower prices to customers.
- 29.** “He procures different kinds of products from all over India through railways, roadways and airways.” Which feature of business is highlighted in the given lines?  
 (a) Element of risk  
 (b) Uncertainty  
 (c) Procurement of goods and services  
 (d) Sale of goods and services
- 30.** “He has placed information about his store on the hoardings, bill boards, etc. in order to popularise them.” Which auxiliary to trade is used here?  
 (a) Transportation (b) Advertising  
 (c) Banking (d) Insurance

### Case Based MCQs

**Direction** Read the following case study and answer questions 26 to 30.

Mr. Liyaquat Ali Khan runs a departmental store in Bhopal. He procures different kinds of products from all over India through railways, roadways and airways. He also owns a godown to hold the stocks. He has also taken an insurance policy worth ₹15 crores for his business. Moreover, he has taken a loan of ₹3,00,000 from Axis Bank in order to meet short-term financial needs of his business. He has placed information about his store on the hoardings, bill boards, etc. in order to popularise them.

- 26.** Mr. Liyaquat is doing which type of human activity?  
 (a) Economic (b) Non-economic  
 (c) Both (a) and (b) (d) None of these
- 27.** Which type of economic activity is done by Mr. Liyaquat?  
 (a) Business (b) Profession  
 (c) Employment (d) None of these
- 28.** “He also owns a godown to hold the stocks.” Which auxiliary to trade is used here?  
 (a) Transportation (b) Warehousing  
 (c) Banking (d) Insurance

**Direction** Read the following case study and answer questions 31 to 35.

Subhadra, Isha, Samriti and Kamlesh, all the four of them are members of the same Kitty Party. The speciality of their Kitty Party is that besides several entertainment programmes, they also provide an opportunity to some of the members to speak on some special subject. Once, all the four of them got the opportunity of speaking on the subject: ‘Digital Payment System’. They shared their respective experiences as given below:

First of all Subhadra spoke on her payment system. She told that as and when she buys goods from a mall, she scans the pattern pasted on the ‘Payment Counter’ using her mobile and makes the payment easily.

After this, Isha told about her own payment system. She said that as and when she has to make some payment, she uses the LOGIN Id, LOGIN PASSWORD and TRANSACTION PASSWORD obtained from her Bank. In this way, very easily and with full safety she makes the payment.

Samriti told that she made her payment quite fast by using her VIRTUAL Id. Similarly, Kamlesh told that she had a mobile with BASIC FEATURES and she required no

internet to make her payments. In order to make the payment, she needed the registered Mobile number and MMID of the receiver. She has to use the MPIN issued by her bank.

31. Identify Subhadra's digital payment system.
  - (a) Internet banking
  - (b) Quick response code
  - (c) Unified payment interface
  - (d) Unstructured supplementary service data
32. Isha uses LOGIN Id, LOGIN PASSWORD and TRANSACTION PASSWORD to make her payments. Identify her payment system.
  - (a) Internet banking
  - (b) Quick response code
  - (c) Unified payment interface
  - (d) Unstructured supplementary service data
33. Samriti makes payments by using her VIRTUAL Id. Identify her payment system.
  - (a) Internet banking
  - (b) Quick response code
  - (c) Unified payment interface
  - (d) Unstructured supplementary service data
34. Kamlesh uses a mobile with BASIC FEATURES. Identify her payment medium.
  - (a) Internet banking
  - (b) Quick response code
  - (c) Unified payment interface
  - (d) Unstructured supplementary service data
35. They all are using which facility of banking?
 

(a) Bank draft	(b) Cheque
(c) e-banking	(d) RTGS

**Direction** Read the following case study and answer questions 36 to 40.

A group of seven friends decided to jointly set up a public company in a rural area where the people were facing a serious unemployment problem. All of them jointly

selected a place where the company's registered office would be situated. Along with it, with the advice of business specialists, it was also decided what procedure would be followed for the issue and allotment of shares.

All the friends wanted their company to have a singular recognition, and people should get immediate attraction towards its products. It was felt that the very name of the company could become a reason for its recognition.

After a detailed discussion, the company's name was decided as Trimurti Ltd. Then, they jointly completed all the formalities of the formation of the company.

36. Which form of business is highlighted in the above case?
 

(a) Partnership	(b) Company
(c) Sole proprietorship	(d) HUF
37. Which type of company highlighted in the lines?
 

(a) Public company	(b) Private company
(c) One person company	(d) None of these
38. "All of them jointly selected a place where the company's registered office would be situated." Which clause of MoA is being discussed in the given lines?
 

(a) Name	(b) Capital
(c) Situation	(d) Association
39. "After a detailed discussion, the company's name was decided as Trimurti Ltd." Which clause of MoA is being discussed in the given lines?
 

(a) Name	(b) Capital
(c) Situation	(d) Association
40. "It was also decided what procedure would be followed for the issue and allotment of shares". Which document is being highlighted in the lines?
 

(a) MoA	(b) AoA
(c) Prospectus	(d) None of these

# PRACTICE PAPER 2

## OMRSHEET

### Instructions

- Use black or blue ball point pens and avoid gel pens and fountain pens for filling the sheets
- Darken the bubbles completely. Don't put a tick mark or a cross mark half-filled or over-filled bubbles will not be read by the software.



- Do not write anything on the OMR Sheet
- Multiple markings are invalid

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39	<input type="radio"/> a	<input type="radio"/> b	<input type="radio"/> c	<input type="radio"/> d
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MARKS SCORED

# PRACTICE PAPER 3

## *Business Studies Class 11th (Term I)*

### Instructions

1. This paper has 40 questions, carrying 1 mark each.
2. All questions are compulsory.
3. Answer the questions as per the given instructions.

M.M. : 40

Time : 90 Minutes

### Multiple Choice Questions

**Direction** (Q. Nos. 1-20) *All the questions have four options out of which only one is correct. Choose the correct option as your answer.*

1. Ramu is a farmer and cultivates wheat on a large piece of land in a district in Rajasthan. Ramu has sold his ancestral house for ₹ 60 lakhs. His son, Shyamu proposes him to establish a flour mill with this money as the raw material wheat will be available from their fields. Identify the type of manufacturing industry Shyamu plans to set up.  
(a) Analytical (b) Synthetical  
(c) Processing (d) Assembling
2. Deepak Wadhwa and sons have been carrying on the business of diamond cutting since the last three generations in Bhuj, Gujarat. Since Bhuj is prone to earthquakes, the firm has decided to insure their business premises and inventory with Star Insurance Company. Which cause of business risks, the company is trying to minimise?  
(a) Human cause (b) Natural cause  
(c) Economic cause (d) None of these

3. Match the principles of insurance given in column I with the suitable statement in column II.

Column I	Column II
A. Subrogation	(i) It is the duty of the insured to take reasonable steps to minimise the loss.
B. Contribution	(ii) Insurer gets all the rights against the third party with respect to subject matter insured.
C. Mitigation	(iii) The insurer and insured must disclose all the material facts to each other.
D. Good faith	(iv) It ensures equitable distribution of losses between insurers.

### Codes

A	B	C	D	A	B	C	D		
(a)	(ii)	(iv)	(i)	(iii)	(b)	(i)	(ii)	(iii)	(iv)
(c)	(iv)	(iii)	(ii)	(i)	(d)	(iii)	(iv)	(ii)	(i)

4. In recurring deposit account, the depositor enjoys the liquidity of saving account and interest rate of fixed deposit account.  
(a) True (b) False  
(c) Can't say (d) Partially true

5. Match the following.

Column I (Services)	Column II (Types of Hindrances)
A. Warehousing	(i) Hindrance of place
B. Transportation	(ii) Hindrance of risk
C. Insurance	(iii) Hindrance of knowledge
D. Advertisement	(iv) Hindrance of time

Codes

A B C D	A B C D
(a) (i) (ii) (iii) (iv)	(b) (i) (iv) (ii) (iii)
(c) (iv) (iii) (ii) (i)	(d) (iii) (ii) (iv) (i)

6. A statutory corporation is a body corporate.

- (a) True (b) False  
(c) Can't say (d) Partially true

7. Nitesh insured his factory for ₹ 25,00,000 against fire. Due to fire in his factory, he suffered a loss of stock worth ₹ 23,00,000. He is of the opinion that he can recover the entire policy amount of ₹ 25,00,000 from the insurance company? State the relevant insurance principle in this regard.

- (a) Subrogation (b) Indemnity  
(c) Mitigation (d) Contribution

8. Formation of a company is a complex activity involving completion of legal formalities and procedures divided into three distinct stages

- (i) Incorporation.  
(ii) Promotion.  
(iii) Subscription of capital.

Which of the following choice represent the correct sequence of the steps?

- (a) (i), (ii), (iii) (b) (i), (iii), (ii)  
(c) (iii), (ii), (i) (d) (ii), (i), (iii)

9. Yogita, a business woman, has a Current Account in Punjab National Bank (PNB). Her Current Account shows balance of just ₹ 50,000, while she urgently needs ₹ 3,00,000 to pay off one of her creditors. She approaches PNB to allow her to withdraw ₹ 3,00,000, using the facility extended by the bank to her due to her credit worthiness. The Bank agrees to it. Identify the facility which has been provided by PNB to Yogita.

- (a) Bank draft (b) Bank overdraft  
(c) RTGS (d) NEFT

10. .... organisation is considered as a part of government only.

- (a) Statutory corporation  
(b) Government company  
(c) Departmental undertaking  
(d) None of the above

11. C2C commerce is best suited for dealing in goods for which there is no established market.

- (a) True  
(b) False  
(c) Can't say  
(d) Partially true

12. Providing the right quality and quantity of goods and services to people in the society is the responsibility for which interest group?

- (a) Employees  
(b) Community  
(c) Consumer  
(d) Government

13. .... is a corporate body created by the legislature with defined powers, functions and is financially independent with a clear control over a specified area.

- (a) Government company  
(b) Public corporation  
(c) Departmental undertaking  
(d) None of the above

**14.** Supply of right quality and quantity of goods to consumers at reasonable prices constitutes the responsibility of an enterprise towards government.

- (a) True
- (b) False
- (c) Can't say
- (d) Partially false

**15.** Skylark Enterprises is dealing in mobile accessories. With the continuous increase in demand for mobiles, their business is expanding. However, the Managing Director (MD) observed that the decision-making process in the enterprise is very slow and level of coordination is decreasing between the various departments.

Tejas, an IT professional, suggested that the company should have its own internet to interact and deal between various departments and persons within the firm. MD liked the idea and implemented it immediately. Identify the branch of e-business suggested by Tejas.

- (a) B2B
- (b) Intra-B
- (c) C2C
- (d) B2C

**16.** According to the Weights and Measures Act, every eatable product should explicitly bear a green dot for vegetarian contents and brown dot for non-vegetarian ingredients. However, this practice is not followed by Swad Pvt. Ltd., a company engaged in the manufacturing of frozen snacks. Identify the kind of social responsibility being ignored by the company.

- (a) Legal
- (b) Economical
- (c) Social
- (d) Discretionary

**17.** An enterprise must behave as a good citizen. This is an example of its responsibility towards .....

- (a) owners
- (b) workers
- (c) consumers
- (d) community

**18.** ABC Ltd. is a leading marketing company of soft drinks. Its 32% of total paid-up capital is held by central government and 21% is by Delhi government. Identify the form of public sector enterprise.

- (a) Statutory corporation
- (b) Government company
- (c) Departmental undertaking
- (d) None of the above

**19.** ..... commerce refers to interaction and dealings among various departments and persons within the firm.

- (a) Business
- (b) Intra business
- (c) Inter business
- (d) All of these

**20.** Trendz Ltd. is a leading manufacturer of garments. The company distributes its defective products free of cost (after getting them repaired from Nar Niketan at lower cost) to the orphanage. Identify the kind of social responsibility, which the company is trying to achieve.

- (a) Society
- (b) Legal
- (c) Ethical
- (d) Discretionary

### Assertion-Reasoning MCQs

**Direction** (Q.Nos. 21-25) *There are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the appropriate option from the options given below*

- (a) Both the Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)
- (b) Both the 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

**21. Assertion (A)** Life insurance is not only a protection but is a sort of investment also.

**Reason (R)** Under life insurance, a certain sum is returnable to the insured at the time of death or at the expiry of a certain period.

**22. Assertion (A)** The volume of B2B transactions is much higher than the volume of B2C transactions.

**Reason (R)** To facilitate a single B2C transaction, there are number of B2B transactions.

**23. Assertion (A)** There is no separate law that governs sole proprietorship.

**Reason (R)** Sole proprietorship is the most regulated form of business, it is easy to start and close the business as per the wish of the owner.

**24. Assertion (A)** Warehousing facilitates the availability of goods as and when required.

**Reason (R)** Warehousing removes the hindrance of place by providing facility of storage of goods.

**25. Assertion (A)** A business enterprise can avoid the problem of government regulation.

**Reason (R)** A business voluntarily assumes social responsibility.

**26.** Which type of human activity is Farhan going to do?

- (a) Economic (b) Non-economic  
(c) Both (a) and (b) (d) None of these

**27.** Which type of economic activity is Farhan going to do?

- (a) Trade (b) Industry  
(c) Export (d) Import

**28.** On which part of business, was the information given to Farhan by business expert?

- (a) Trade (b) Industry  
(c) Aids to trade (d) Profession

**29.** “How will the goods be brought from distant places.” Which aid to trade will help Farhan to overcome the problem highlighted in the given line?

- (a) Transportation (b) Warehousing  
(c) Insurance (d) Advertising

**30.** Through which aids to trade, Farhan’s financial problem will be solved?

- (a) Insurance (b) Advertising  
(c) Banking (d) Transportation

### Case Based MCQs

**Direction** Read the following case study and answer questions 26 to 30.

Farhan, a young man, wants to provide employment to the local people of his village. He decided to do the wholesale business of mobile phones made by the latest technique. But so many questions began to crop up in his mind: how will the goods be brought from distant places, how will the finance be arranged, and how will the information on his modern business be conveyed to the people? He consulted a business expert, Mr. Balam who gave him information on the auxiliaries to trade, which could solve his problem.

Farhan understood what the expert told him. He employed 50 workers and started his business.

**Direction** Read the following case study and answer questions 31 to 35.

Sparsh got two types of insurance policies. He got his first insurance policy on his house. He had his house insured by ‘National Insurance Co.’ for ₹ 1,30,00,000. The company thought this risk to be too high. Out of this amount, the ‘National Insurance Co.’ got insured for ₹ 60,00,000 by ‘New India Insurance Company.’

Sparsh got the second policy for the insurance of his life. He got his life insured by two companies: ‘Aegon Life Insurance Co.’ and ‘Aviva Life Insurance Co. India Ltd’.

From both these companies, he got the Insurance policies for ₹ 50,00,000 and ₹ 30,00,000 respectively.

- 31.** Identify the type of life insurance contract got by Sparsh.
- (a) Contract of Indemnity
  - (b) Life Insurance Contract
  - (c) Re-insurance Contract
  - (d) None of the above
- 32.** Sparsh got two insurance policies on his life. To which of the following states does it indicate?
- (a) Re-insurance
  - (b) Double Insurance
  - (c) Contract of Indemnity
  - (d) Both (b) and (c)
- 33.** As 'National Insurance Co.' thought the risk to be too high, it got the Insurance done by another company. Identify this type of insurance.
- (a) Re-insurance
  - (b) Double Insurance
  - (c) Life Insurance Contract
  - (d) None of the above
- 34.** Identify the type of insurance contract on the house got by Sparsh.
- (a) Contract of Indemnity
  - (b) Life Insurance Contract
  - (c) Double Insurance
  - (d) None of the above
- 35.** Under which type of insurance, Sparsh insured his house?
- (a) Life insurance
  - (b) Marine insurance
  - (c) General insurance
  - (d) Health insurance

**Direction** Read the following case study and answer questions 36 to 40.

Rahul and Sanchali felt that there was an opportunity of business in providing a service of online grocery stores for working people. They analysed the idea in terms of technical, financial and economic feasibility.

Once they found all the aspects satisfactory, they decided to start a company called 'convenience @ home' private Ltd. They got the name registered with the registrar.

- 36.** Which form of business organisation discussed in the case?
- (a) Partnership
  - (b) Company
  - (c) Sole proprietor
  - (d) HUF
- 37.** Which step of formation of company is being discussed here?
- (a) Promotion
  - (b) Incorporation
  - (c) Capital subscription
  - (d) Commencement
- 38.** "Rahul and Sanchali felt that there was an opportunity of business in providing a service of online grocery stores for working people." Which step of promotion is highlighted in the given lines?
- (a) Identifying business opportunity
  - (b) Feasibility studies
  - (c) Name approval
  - (d) Appointment of professionals
- 39.** "They analysed the idea in terms of technical, financial and economic feasibility." Which step of promotion is highlighted in the given lines?
- (a) Identifying business opportunity
  - (b) Feasibility studies
  - (c) Name approval
  - (d) Appointment of professionals
- 40.** "Once they found all the aspects satisfactory, they decided to start a company called 'convenience @ home' private Ltd. They got the name registered with the registrar." Which step of promotion is highlighted in the given lines?
- (a) Identifying business opportunity
  - (b) Feasibility studies
  - (c) Name approval
  - (d) Appointment of professionals

# PRACTICE PAPER 3

## OMRSHEET

### Instructions

- Use black or blue ball point pens and avoid gel pens and fountain pens for filling the sheets
- Darken the bubbles completely. Don't put a tick mark or a cross mark half-filled or over-filled bubbles will not be read by the software.



- Do not write anything on the OMR Sheet
- Multiple markings are invalid

1	(a)	(b)	(c)	(d)
2	(a)	(b)	(c)	(d)
3	(a)	(b)	(c)	(d)
4	(a)	(b)	(c)	(d)
5	(a)	(b)	(c)	(d)
6	(a)	(b)	(c)	(d)
7	(a)	(b)	(c)	(d)
8	(a)	(b)	(c)	(d)
9	(a)	(b)	(c)	(d)
10	(a)	(b)	(c)	(d)
11	(a)	(b)	(c)	(d)
12	(a)	(b)	(c)	(d)
13	(a)	(b)	(c)	(d)
14	(a)	(b)	(c)	(d)
15	(a)	(b)	(c)	(d)
16	(a)	(b)	(c)	(d)
17	(a)	(b)	(c)	(d)
18	(a)	(b)	(c)	(d)
19	(a)	(b)	(c)	(d)
20	(a)	(b)	(c)	(d)

21	(a)	(b)	(c)	(d)
22	(a)	(b)	(c)	(d)
23	(a)	(b)	(c)	(d)
24	(a)	(b)	(c)	(d)
25	(a)	(b)	(c)	(d)
26	(a)	(b)	(c)	(d)
27	(a)	(b)	(c)	(d)
28	(a)	(b)	(c)	(d)
29	(a)	(b)	(c)	(d)
30	(a)	(b)	(c)	(d)
31	(a)	(b)	(c)	(d)
32	(a)	(b)	(c)	(d)
33	(a)	(b)	(c)	(d)
34	(a)	(b)	(c)	(d)
35	(a)	(b)	(c)	(d)
36	(a)	(b)	(c)	(d)
37	(a)	(b)	(c)	(d)
38	(a)	(b)	(c)	(d)
39	(a)	(b)	(c)	(d)
40	(a)	(b)	(c)	(d)

Students should not write anything below this line

<b>SIGNATURE OF EXAMINER WITH DATE</b>
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<b>MARKS SCORED</b>
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# ANSWERS

## Practice Paper 1

1. (b) 2. (b) 3. (a) 4. (c) 5. (a) 6. (b) 7. (c) 8. (c) 9. (d) 10. (b)  
11. (b) 12. (c) 13. (c) 14. (a) 15. (b) 16. (c) 17. (b) 18. (c) 19. (a) 20. (c)  
21. (b) 22. (b) 23. (c) 24. (d) 25. (a) 26. (a) 27. (d) 28. (c) 29. (a) 30. (d)  
31. (c) 32. (a) 33. (b) 34. (d) 35. (c) 36. (b) 37. (a) 38. (c) 39. (a) 40. (c)

## Practice Paper 2

1. (a) 2. (c) 3. (a) 4. (b) 5. (c) 6. (b) 7. (c) 8. (d) 9. (c) 10. (a)  
11. (a) 12. (b) 13. (c) 14. (d) 15. (b) 16. (a) 17. (a) 18. (b) 19. (c) 20. (c)  
21. (d) 22. (d) 23. (a) 24. (a) 25. (c) 26. (a) 27. (a) 28. (b) 29. (c) 30. (b)  
31. (b) 32. (a) 33. (c) 34. (d) 35. (c) 36. (b) 37. (a) 38. (c) 39. (a) 40. (b)

## Practice Paper 3

1. (c) 2. (b) 3. (a) 4. (b) 5. (b) 6. (a) 7. (b) 8. (d) 9. (b) 10. (c)  
11. (a) 12. (c) 13. (b) 14. (b) 15. (b) 16. (a) 17. (d) 18. (b) 19. (b) 20. (d)  
21. (a) 22. (a) 23. (c) 24. (c) 25. (a) 26. (a) 27. (a) 28. (c) 29. (a) 30. (c)  
31. (b) 32. (b) 33. (a) 34. (a) 35. (c) 36. (b) 37. (a) 38. (a) 39. (b) 40. (c)