

## SAMPLE QUESTION PAPER - 3

### Business Studies (054)

### Class XI (2024-25)

**Time Allowed: 3 hours**

**Maximum Marks: 80**

#### General Instructions:

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks may be about 150 words.
6. Answers to the questions carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

1. In which of the following modes of entry, does the domestic manufacturer give the right to use intellectual property such as patent and trademark to a manufacturer in a foreign country for a fee? [1]

- |              |                           |
|--------------|---------------------------|
| a) Lease     | b) Joint venture          |
| c) Licensing | d) Contract manufacturing |

2. Expand SIDBI: [1]

- |   |   |
|---|---|
| a) Super Industrial Development Bank of India | b) Small Indian Development Bank of India       |
| c) Small Industries Development Bank of India | d) Society Industrial Development Bank of India |

3. A Government Company may be formed as which of the following: [1]

- |                                     |                                       |
|-------------------------------------|---------------------------------------|
| a) Public Company                   | b) Private Company                    |
| c) Either Public or Private Company | d) Neither Public nor Private Company |

4. \_\_\_\_\_ are agents who merely bring the buyer and the seller into contact. [1]

- |                     |           |
|---------------------|-----------|
| a) Commission agent | b) Broker |
|---------------------|-----------|

c) Stockist

d) Selling agent

5. NSIC was set up in: [1]
- a) 1975                                      b) 1965
- c) 1955                                      d) 1982
6. An important C2C area of interactive commerce can be the formation of \_\_\_\_\_. [1]
- a) consumers forum                      b) B2B commerce
- c) insurance                                d) banking
7. Minimum number of members to form a private company is: [1]
- a) 2    b) 7
- c) 5    d) 3
8. Expand NSIC: [1]
- a) National Small Industries            b) National Small Indian  
Centre    Corporation
- c) National Small Industries            d) National Small Business  
Corporation                                      Industries Center
9. Which of the following statements is incorrect regarding Inter Corporate Deposits (ICD)? [1]
- A. They are made by one company with another company.
- B. Unsecured long term deposits.
- C. The minimum period of ICDs is 7 days which can be extended to one year.
- D. The interest rate on ICDs may remain fixed or may be floating.
- a) Only C                                      b) Only D
- c) Only A                                      d) Only B
10. **Assertion (A):** Partnership at will get terminated when any partner gives notice of withdrawal from partnership to the firm. [1]
- Reason (R):** Partnership at will exists at the will of the partners i.e. continues as long as the partners want.

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

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

c) A is true but R is false.

d) A is false but R is true.

11. To selling only children garments is the example of: [1]

a) General Store

b) Single-product shop

c) Single line shop

d) Specific shop

12. The main objective of selling goods through consumer cooperative stores is to reduce the cost of the product by reducing the number of \_\_\_\_\_. [1]

a) Wholesalers

b) Consumers

c) Manufacturers

d) Middlemen

13. Who has the power to take decisions in a Co-operative society? [1]

a) Government

b) Members of the Co-operative society

c) Customers

d) Elected managing committee

14. Which of the following is an internal cause leading to sickness and closure of sick small business units? [1]

a) Lack of skilled and trained labour

b) Delayed payment

c) Lack of demand for their products

d) Shortage of working capital

15. Social responsibility is: [1]

a) same as a legal responsibility

b) broader than legal responsibility

c) Much lower than legal responsibility

d) narrower than legal responsibility

16. **Assertion(A):** Current account is mostly suitable for business firms. [1]  
**Reason(R):** Holder can deposit or withdraw money as and when required.
- a) Both A and R are true and R is the correct explanation of A.      b) Both A and R are true but R is not the correct explanation of A.  
c) A is true but R is false.      d) A is false but R is true.
17. State the full form of RWED: [1]
- a) Rural and Women Experiential Development      b) Rural and Women Employment Development  
c) Rural and Women Engagement Development      d) Rural and Women Entrepreneurship Development
18. Since the main objective of the business is to earn profits, which of the following is not an appropriate method of earning profits: [1]
- a) All of these      b) Inflating the prices  
c) Selling a good quality product at reasonable prices      d) Selling low-quality product at low prices
19. Which of the following is organised by individuals? [1]
- a) Chemical Industry      b) Cottage Industries  
c) Railway Industry      d) Atomic industry
20. Funding for Departmental Undertakings comes from which of the following sources: [1]
- a) Debentures      b) Shares  
c) Government Treasury      d) Loans from Financial Institutions
21. Differentiate between contract manufacturing and setting up wholly owned production subsidiary abroad. [3]

22. Rohan, a student of business studies, wants to understand the interrelation between industry, trade, and commerce. Help him. [3]

OR

What are the various types of industries?

23. Name the various types of Itinerant Retailers. [3]

24. Discuss the various types of preference shares. [3]

OR

What do you mean by preference shares? Discuss its various merits.

25. Explain the services provided by the retailer to the consumer. [4]

OR

Deepa is a dealer of used books and runs a shop under the name of 'Om Bookshop' in Kamla Nagar, Delhi. As the book shop is located within the area of Delhi University, it is very famous among the college students as they can get the used books in good condition and that too at a price much less than the MRP.

- a. Deepa will be classified as which type of retailer and why?
  - b. Identify the category of the type of retail trade as identified in part (a) of the question under which Deepa should be placed.
  - c. State three features of the type of retailer as identified in part (b) of the question.
26. Business is an organized institution that operates to provide goods and services under the incentive of private gain. Discuss. [4]

OR

Explain how industry, trade, and commerce are interrelated.

27. Describe briefly any two applications of E-business. [4]

28. Explain briefly the following features of global enterprises: [4]

- i. Huge capital resources
- ii. Foreign collaboration
- iii. Expansion of market territory
- iv. Centralised control.

29. Enlist any four measures through which a business can promote its goodwill in the market? [4]
30. What do you understand by Intellectual Property Rights? Explain. [4]
31. Tarun wants to import machinery from France for the manufacturing of automatic and high-quality guns. Explain the initial six steps that he needs to take in order to import machinery from France. [6]

OR

Discuss as to why nations trade.

32. Distinguish between a Co-operative society (organisation) and a Company. [6]

OR

Describe briefly different types of cooperative societies.

33. Qureshi had aspired to start a Thai food restaurant from his childhood. On completing his education he shared his childhood dream with his father. Therefore, the father-son duo decided to approach a nearby bank for obtaining a loan. His father's foremost concern was to raise finance for the business as his savings would be insufficient for starting a business. [6]
- In the context of the above case answer the following:
- Define the term business finance.
  - Briefly outline the importance of business finance.
  - The two types of funds on the basis of ownership are being discussed above. Identify and differentiate between them by giving any three suitable points.
34. State the types of life insurance policies. [6]

**Solution**  
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1.  
(c) Licensing  
**Explanation:**  
Licensing refers to permitting another party in a foreign country to produce and sell goods under trademarks, patents or copyrights in lieu of some fee.
2.  
(c) Small Industries Development Bank of India  
**Explanation:**  
Small Industries Development Bank of India (SIDBI) is a wholly-owned subsidiary of IDBI.
3.  
(c) Either Public or Private Company  
**Explanation:**  
A government company may be formed as a private company or a public company.
4.  
(b) Broker  
**Explanation:**  
Brokers are agents who merely bring the buyer and the seller into contact. They execute the orders as per the buyer without physically involving the buyer in the transaction.
5.  
(c) 1955  
**Explanation:**  
NSIC was set up in 1955 with a view to promote, aid, and foster the growth of small business units in the country.
6. (a) consumers forum  
**Explanation:**  
The business originates from the consumer and the ultimate destination is also consumers, thus the name C2C commerce. This type of commerce is best suited for dealing with goods for which there is no established market mechanism.
7. (a) 2  
**Explanation:**  
Minimum number of members to form a private company is **two**.
8.  
(c) National Small Industries Corporation

**Explanation:**

National small industries corporation was set up in 1955 with a view to promote, aid, and foster the growth of small business units in the country.

9.

**(d) Only B**

**Explanation:**

Inter Corporate Deposits are **unsecured short-term** deposits made by a company with another company.

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

**Explanation:**

Partnership at will continues till the partners want and comes to an end when any of the partner gives a notice of withdrawal from partnership.

11.

**(b) Single-product shop**

**Explanation:**

It is an example of Single-product shop.

12.

**(d) Middlemen**

**Explanation:**

Since the Middlemen are eliminated, the members get products of good quality at cheaper rates

13.

**(d) Elected managing committee**

**Explanation:**

In a Cooperative Society, the power to take decisions lies in the hands of an elected managing committee.

14. **(a) Lack of skilled and trained labour**

**Explanation:**

Small business firms cannot afford to pay higher salaries to employees.

15.

**(b) broader than legal responsibility**

**Explanation:**

Social responsibility is broader than the legal responsibility of business. It is a firm's recognition of social obligations even though not covered by the law, along with the obligations laid down by law.

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

**Explanation:**



Since holders of current accounts can deposit or withdraw money as and when required, it is suited best for businesses.

17.

**(d) Rural and Women Entrepreneurship Development**

**Explanation:**

RWED stands for Rural and Women Entrepreneurship Development.

18.

**(b) Inflating the prices**

**Explanation:**

Inflating the prices may earn profit in the short run but it is not acceptable in the long run, as it is considered as malpractice.

19.

**(b) Cottage Industries**

**Explanation:**

Cottage Industries are organised by individuals, with their private resources.

20.

**(c) Government Treasury**

**Explanation:**

The funding of these enterprises come directly from the Government Treasury and are an annual appropriation from the budget of the government.

21. Under contract manufacturing, a firm enters into a contract with some local manufacturers in foreign countries to manufacture certain components of goods produced as per their specifications. As a result, contract manufacturing is less risky and does not require resources for setting up the production facilities.

However, in the case of a wholly-owned subsidiary, the company has to make 100% equity investments in the foreign subsidiary and has to bear the entire losses in case of failure of its foreign operations.

22. Industry, trade, and commerce are interrelated. Industry produces goods that are distributed through commerce. No commercial activity is possible in the absence of industry. At the same time, industrial production is meaningless without the distribution of goods through commerce. If the industry is the backbone of commerce, commerce serves as the lifeline of the industry.

OR

The different types of industries are as follows:

- i. **Primary Industries:** These industries deal with obtaining or offering raw materials which are processed as commodities for the customers. For example: Farming, Fishing.

- ii. **Secondary Industries:** These are concerned with using the materials which have already been extracted at the primary stage. For example, manufacturing of steel is a secondary industry.
  - iii. **Tertiary industries:** These are concerned with providing support services to primary and secondary industries as well as activities relating to trade. These industries provide service facilities like transport, banking etc.
23. i. Hawkers and Pedlars  
ii. Market Traders  
iii. Street Traders  
iv. Cheap Jacks
24. The four main types of preference shares are callable shares, convertible shares, cumulative shares, and participatory shares. Each and every type of preferred share has a unique feature that may benefit either the shareholder or the issuer in the company.

OR

Preference shares are kind of shares which promise the holder a fixed dividend, whose payment takes priority over that of ordinary shares. Benefits are in the form of an absence of a legal obligation to pay the dividend, improves borrowing capacity, saves dilution in control of existing shareholders, and no charge on assets.

25. Services provided by the retailer to the customers are as follows:
- i. **Regular availability of the goods:** Retailers maintain regular availability of a variety of products from different manufacturers. This helps the customers to buy the products of their choice as and when they require it.
  - ii. **Information about the goods:** By effectively displaying the goods and through personal selling efforts; retailers provide important information about the arrival of the new goods, their special features, etc. thus helps them in making their purchase decision.
  - iii. **Convenience in buying:** Firstly, retailers are situated very nearer to the residential areas and remain open for long hours. Secondly, retailers sell the goods of the desired variety in small quantities according to customers' requirements, therefore, providing convenience to customers.
  - iv. **Wider choice:** Retailers generally keep stock of a wide variety of goods, produced by different manufacturers. This enables the customers to make their choice out of the wide variety available to select the best good.
  - v. **After-sales service:** Retailers sometimes provide home delivery and after-sales service to consumers.
  - vi. **Provide credit facilities:** Retailers often sell goods on credit to their regular customers.

OR

- a. Deepa will be classified as a 'Fixed Shop Retailer' because she operates his business from a permanently established shop.
  - b. Second-hand Goods Shop.
  - c. Three Features of Second-hand Goods Shop:
    - i. The shops may be located at street crossings or in busy streets.
    - ii. These shops may either be in the form of a stall with a temporary platform or may have reasonably good infrastructure.
    - iii. The goods are generally sold at lower prices as they are used goods.
26. Yes, it is right to call business as an institution that provides goods and services for earning profit because of certain characteristics of the business. Following are the main characteristics of business:
- i. **Sale or exchange of goods and services for the satisfaction of human needs:**  
Business involves sale or exchange of goods and services. The production of goods or services for self-consumption is not business.
  - ii. **Deals in goods or services on a regular basis:** Another important feature of the business is that it must sell or exchange goods or services on a regular basis, one time sale of goods is not considered as business.
  - iii. **Profit motive:** The main purpose of business is to earn a profit. If the profit motive is missing in a transaction, then it cannot be considered as a business transaction.

OR

Industry, business, and trade are firmly identified with one another in various manners: The industry is identified with the creation of merchandise and enterprises and trade assists with conveying the products and ventures delivered by the business to the last purchaser.

Industry and trade are bury subject to one another. They can't get by in disengagement as both are imperative for one another. Trade will be of no utilization without industry and industry can't get by without business. Business is a maker of spot utility and time utility and serves the foundation of the industry, while industry gives the base to trade.

Trade is a basic piece of business. It alludes to the deal and acquisition of merchandise and ventures. It gives ground to business to play. It offers help to industry as well as keeps up a smooth progression of business simultaneously.

27. E-business deals with the buying and selling of products and services through a computer network. The two applications of E-business are discussed below:
- i. **e-Procurement:** It involves internet-based sales transactions between business firms including both, "reverse auctions" that facilitate online trade between a single business purchaser and many sellers, and, digital market places that facilitate online trading between multiple buyers.

- ii. **e-Delivery:** It includes electronic delivery of computer software, photographs, videos, books (e-journals) and other multimedia content to the other's computer. It also includes the rendering of legal, accounting, medical and other consulting services electronically. In fact, the internet provides the firms with opportunities for the outsourcing of a host of Information Technology Enabled Services (ITES).
28. i. **Huge capital resources:** These enterprises have huge financial resources and also possess the ability to raise funds from different sources. They are able to tap funds from various sources. They can raise funds by issuing equity shares, debentures, etc. Because of their high credibility in the market, the investors of the host countries are always willing to invest in them. Because of their financial strength they are able to survive under all circumstances.
- ii. **Foreign collaboration:** Usually, these enterprises enter into agreements with companies of the host countries. These agreements are made in respect of the sale of technology, production of goods, patents, resources, etc.
  - iii. **Expansion of market territory:** As the network of operations of these enterprises extends beyond their existing physical boundaries, they expand their market territory. They operate through their branches, subsidiaries in host countries, and occupy dominant positions in various markets.
  - iv. **Centralized control:** Despite the fact that branches of these enterprises are spread over in many countries, they are controlled and managed by their Head Office (H. O.) in their home countries only all these branches have to work within the broad policy framework of the parent company. A common system for working of all the companies under their control is evolved.
29. A business can promote its goodwill in by adopting the following measures:
- i. By providing quality product and service.
  - ii. Unique selling proposition.
  - iii. Satisfied customer base.
  - iv. Marketing and advertisement.
30. Intellectual property refers to the creations of the human mind, like inventions, literary and artistic works, symbols, names, images and designs used in business. All inventions of creations begin with an 'idea'. Once the idea becomes an actual product, i.e., Intellectual Property, one can apply to the authority concerned under the Government of India for protection. Legal rights conferred on such products are called 'Intellectual Property Rights' (IPR). Hence Intellectual property refers to products of the human mind, hence, just like other types of property, the owners of IP can rent, give or sell it to other people. The following types of Intellectual Property Rights are recognized in India: Copyright, Trademark, Geographical Indication, Patent, Design, Plant Variety, Semiconductor

Integrated Circuit Layout Design. In addition to this, traditional knowledge also falls under IP.

**31. The initial six steps that he needs to take in order to import machinery are:**

- i. **Trade inquiry and obtaining I.E.C. No.:** Before starting the import procedure, he has to obtain an I.E.C. (ImportExport Code) number. This number is used in filling the formalities of the import procedures. To get this number, he has to apply to the regional Import-Export Licensing Authority in the prescribed form.
- ii. **Obtaining Registration Cum Membership Certificate (RCMC) and placing an order:** He will get various benefits in the form of subsidies and exemption in excise duty, tax, etc. To get these benefits, they have to show RCMC. After getting the I.E.C. number, he will apply for RCMC.  
**The RCMC is issued by:**
  - a. Import Promotion Council.
  - b. Federation of Indian Import Organisation.
  - c. Import Development Authority, etc. Along with the application, he has to submit a bank certificate and IEC number. If the authority is satisfied, then they will issue RCMC.
- iii. **Opening a letter of credit:** Letter of credit is issued by his bank in favor of the exporter. In this letter, the bank undertakes a guarantee for making payment on his behalf. He will approach his bank and instructs the bank to issue a letter of credit in favor of the exporter. He will instruct the bank about the documents to be collected from the exporter before making payment.
- iv. **Arranging for finance:** Importer makes arrangements for finance in advance to pay to the exporter on the arrival of goods at the port.
- v. **Receipt of shipment advice:** After loading of goods on the ship, the overseas supplier dispatches shipment advice to the importer.
- vi. **Retirement of import documents:** The overseas supplier prepares a list of necessary documents and handed over to the banker for their onward transmission and negotiation to the importer.

OR

Countries trade with each other when, on their own, they do not have the resources, or capacity to satisfy their own needs and wants. By developing and exploiting their domestic scarce resources, countries can produce a surplus and trade this for the resources they need.

Clear evidence of trading over long distances dates back at least 9,000 years, though long-distance trade probably goes back much further to the domestication of pack animals and the invention of ships. Today, international trade is at the heart of the global economy and

is responsible for much of the development and prosperity of the modern industrialised world.

Nations trade because of the following reasons:

- a. **Unequal distribution of natural resources:** Resources are unequally distributed in natural resources. Some countries are abundant in one commodity and scarce in other, while the opposite is true for some other country. It makes a case for international trade and exchanging abundant commodity with scarce commodity by nations.
- b. **Unequal availability of factors of production:** Different nations are endowed with different factors of production which includes land, labour, capital and entrepreneurship. For example, India is a labour abundant country. Therefore, it is advisable for India to produce such commodities which use labour-intensive methods and exchange it for those who use capital intensive methods. The USA is a capital abundant country. Therefore, nations need to trade.
- c. **Theory of Comparative Cost Advantage:** Due to these factors, some countries are in an advantageous position in producing selected goods and services which other countries cannot produce that effectively and efficiently and vice-versa.
- d. **Geographical Specialisation:** The international business as it exists today is the result of geographical specialization. Even within a country, each state specialises in those goods for which it is geographically more suitable.
- e. **Cost minimization principle of firms:** Firms get involved in international business to minimize their costs and maximize their profits.

32. Difference between Co-operative society and Company:

<b>Basis of difference</b>	<b>Co-operative society</b>	<b>Company</b>
<b>(i) Regulations</b>	It is governed by the Co-operative Society Act, 1912.	It is governed by the Companies Act, 2013.
<b>(ii) Transfer of share</b>	The members of co-operative societies cannot transfer their shares.	Shares can be easily transferred in case of a public company but not in the case of a private company.
<b>(iii) Aim</b>	The main aim of a co-operative society is to render services to its members. The word cooperative means working together and with others for a common purpose	The main aim of a company is to earn profits.

<b>(iv) Number of members</b>	Minimum 10 members are required to form a co-operative society, while there is no limit on the maximum number of members.	For private company: Minimum-2, Maximum-200, For public company- Minimum-7, Maximum-No limit.
<b>(v) Control</b>	Managed and controlled by the elected managing committee.	Managed and controlled by the Board of Directors.
<b>(Vi) Government support</b>	Support in the form of low taxes, subsidies, loans at a low rate of interest, etc are provided by the government.	No government support is provided to companies.

OR

The various types of cooperative societies are described below:

- i. **Consumer's Cooperative Societies:** It is formed by consumers for obtaining good quality products at reasonable prices. The society aims to achieve economy in operations by purchasing goods in bulk directly from the wholesalers and selling them directly to the members, thereby eliminating the middlemen.
- ii. **Producer's cooperative societies:** It is formed by small producers, who desire to procure inputs for the production of goods to meet the demands of consumers. These societies enhance the bargaining power of small producers. Profits among the members are generally distributed on the basis of their contributions to the total pool of goods produced or sold by the society.
- iii. **Marketing cooperative societies:** The members consist of producers who wish to obtain reasonable prices for their output through one centralised agency. These societies perform marketing functions like transportation, packaging, etc., and selling the output at the best possible price. Profits are distributed according to each member's contribution to the pool of output.
- iv. **Farmer's cooperative societies:** This society is formed by farmers to jointly take up farming activities in order to gain the benefits of large scale farming and increase productivity by providing good quality seeds, fertilisers, machinery and other modern techniques for use in the cultivation of crops. Such a society is helpful in consolidating the uneconomic, fragmented and small land holdings into viable economic holdings.
- v. **Credit cooperative societies:** Providing easy credit on reasonable terms to the members. Such societies provide loans to members out of the amounts collected as capital and deposits from the members and charge low rates of interest.
- vi. **Cooperative housing societies:** Helps people with limited income to construct houses at reasonable costs. The members of these societies consist of people who are desirous

of procuring residential accommodation at lower costs.

33. a. The funds required by the business to carry out its various activities is called business finance.
- b. Finance is called the lifeblood of any business. The need for funds arises from the point when an entrepreneur decides to start a business. Funds are required to buy fixed assets like plant and machinery. Some funds are also required for meeting day-to-day business operations, like purchasing raw materials, paying salaries to employees, bills and so on. Moreover, funds are needed for the expansion of a business.
- c. The two types of funds on the basis of ownership, being discussed above are owned funds and borrowed funds. The difference between them is as follows:

<b>S. No</b>	<b>Basis</b>	<b>Owned Funds</b>	<b>Borrowed Funds</b>
1.	Meaning	The funds that are invested by the owners of an enterprise, like a sole proprietor or partners or shareholders of a company are known as owner's funds. It also includes retained profits.	The funds raised through loans or borrowings are known as borrowed funds.
2.	Time period	These funds remain invested in the business for a longer duration and is not required to be refunded during the life period of the business.	These funds are provided for a specified period, on certain terms and conditions and have to be repaid after the expiry of that period.
3.	Management and control	Such capital forms the basis on which owners acquire their right of control of management.	The providers of these funds do not acquire any right of control of management.

34. A life insurance policy is a protection against the uncertainty of life that is death. It provides protection to the family a premature death of an individual. The various types of life insurance policies are as follows:
- i. Term insurance policy: This policy is a pure risk cover with the insured amount to be paid only if the policyholder dies during the period of policy time. The intention of this policy is to protect the policy holder's family in case of death.
  - ii. Endowment policy: In this policy, the term policy is defined for a specified period like 15, 20, or 25 years. The insurance company pays the claim to the family of the assured on the event of his death within the policy term or on the event of the assured serving the policy term.



- iii. Whole life policy: In this policy, the insurance company collects premiums for the insured for the whole life or till the time of his retirement and pays a claim to the family of the insured only after his death.
- iv. Money-back policy: Money back policy provides money on occasions when the policyholder needs it for his personal reasons. The occasions may be marriage, education, etc. The money will be paid back to the policyholder in a specified direction. If the policyholder dies before the policy term, the sum assured will be given to his family. A portion of the assured amount is payable at regular intervals. On survival, the remainder of the sum assured is payable.
- v. Annuities and pension: In an annuity, the insurer agrees to pay the insured a stipulated sum of money periodically. The purpose of an annuity is to protect the insured against risk as well as provide money in the form of pension at regular intervals. Over the years, insurers have added various features to basic insurance policies in order to address the specific needs of a cross-section of people.