

## SAMPLE QUESTION PAPER - 1

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. Every importer is required to secure the sanction of foreign exchange in order to make the payment. For obtaining such a sanction, to whom the importer has to make an application from among the following: [1]

- |                                       |   |
|---------------------------------------|---|
| a) Exchange Control Department of RBI | b) Any bank authorized by RBI to issue foreign exchange |
| c) DGFT                               | d) EXIM   |

2. Which of the following comes under Modern Small Industries? [1]

- |          |                |
|----------|----------------|
| a) Khadi | b) Handicrafts |
| c) Coir  | d) Powerlooms  |

3. Indian economy consists of \_\_\_\_\_. [1]

- |                          |  |
|--------------------------|--|
| a) only private business | b) only government business              |
| c) only Semi Government  | d) private and government owned business |

4. On which basis fixed-shop retailers are classified into small shopkeepers and large retailers? [1]

- |                             |                      |
|-----------------------------|----------------------|
| a) Size of their operations | b) Type of ownership |
|-----------------------------|----------------------|





- 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. Who among the following are the highest risk-takers? [1]

- a) People practicing a profession      b) People engaged in career employment
- c) Entrepreneurs      d) All of these

18. Among the following given activities, which one is not an economic activity: [1]

- a) Trading in goods and services      b) Social welfare
- c) Manufacturing of goods for sale      d) Transportation services

19. Exemption from paying taxes for 5 to 10 years is known as \_\_\_\_\_. [1]

- a) Value Added Tax      b) tax deduction
- c) tax holiday      d) TDS

20. What minimum percentage of the paid-up capital should be held by the government in a Government Company? [1]

- a) 49%      b) 100%
- c) 75%      d) 51%

21. Shivam Enterprises is a leading manufacturer of Home Security Equipments and its products enjoy a very good reputation in the Indian market. Encouraged by this, Kartik (owner of the firm) is thinking of expanding the work to foreign territories also. Kartik wants to export the security equipment to Europe. So, he consulted Abhay, one of his friends, who is actively involved in the export and import of goods. Abhay told Kartik that the export of goods requires a special 'Procedure'. Abhay also explained the advantages and disadvantages of the International business to Kartik. [3]

a. Discuss the procedure which is required to be followed by Kartik for the export of goods.

b. Also, discuss the various advantages and disadvantages of the International business to Kartik.

22. List the major exports and imports in ancient India. [3]

OR

Which hindrance of commerce is highlighted in the following activities?

- i. It removes the geographical separation between producers and consumers.
- ii. Warehousing facilitates holding of goods till they are required.
- iii. Advertising informs the consumers about the goods and services available in the market.
- iv. Trade provides an organised market where buyers and sellers can contact each other.
- v. Banking and Financing Institutions provide necessary funds to carry on business activities.
- vi. There exist a time gap between production and consumption of goods.
- vii. Insurance protects the goods in case of damage due to theft, fire, accidents.

23. What do you mean by pavement traders? [3]

24. Equity Shares are known as Risk Capital. What is your view about it? [3]

OR

What are the advantages and disadvantages of preference shares?

25. Geeta Pustak Bhandar sells only religious books. But all kinds of books are available at 'Kapoor Pustak Bhandar'. Both of them are examples of Small Scale Retail Trade. Even then the nature of their trades is different from each other. Identify the nature of the difference between the trades of both of them and explain it. [4]

OR

Write the disadvantages of departmental stores.

26. People misinterpret business as having only economic objectives. Make the concepts clear regarding the objectives of the business. [4]

OR

Briefly explain any four auxiliaries to trade.

27. Differentiate between traditional business and e-business. [4]
28. Explain the four advantages of being a MNC. [4]
29. Business is a part of society. Explain this statement in the context of Social Obligation of Business. [4]
30. Explain the need for entrepreneurship development? [4]
31. Write a detailed note on features, structure, objectives and functioning of WTO. [6]

OR

Discuss briefly the factors that govern the choice of mode of entry into international business.

32. List the documents required for the incorporation of a company. [6]

OR

Jagat is running a grocery store under the name 'Morning Needs' in a local market. He takes all decisions about business himself, without any interference from others and also earns a direct reward for his risk-bearing.

In the context of the above case:

- a. Identify and define the form of business organization in which Jagat has promoted his business.
- b. State any four features of this form of business organization.
33. Gurpreet is planning to start a Diagnostic Centre in Ambala. He visits his uncle Mr. Amarnath in Patiala, who is successfully running a Diagnostic Centre for many years, to seek his guidance. Mr. Amarnath tells Gurpreet that the capital needs of his business can be divided into two categories. Firstly, he will need funds to buy land and building, machinery and furniture and fixtures. Secondly, funds Tjvill be required to meet day-to-day operations such as maintaining stocks, bills receivables and for meeting current expenses like salaries, wages, taxes, and rent. [6]
- In the context of the above case answer the following:
- a. Identify and explain the two types of capital being described above by quoting lines from the paragraph.
- b. Briefly outline any two factors that are likely to affect the requirements of each of the two types of capital.

34. Danush visited a new restaurant 'Darbaar' with his parents. They all liked the food served in the restaurant. After a week Danush took his friends to 'Darbaar' and placed an order for the same dishes that he had liked during his previous visit. But to his surprise, he found that the taste of the food was not as good as it was during his previous visit. As a result, he felt very disappointed. [6]

In the context of the above case, answer the following questions:

- a. Identify the feature of services being discussed above.
- b. Explain briefly three other features of services.

**Solution**  
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1.  
**(b)** Any bank authorized by RBI to issue foreign exchange  
**Explanation:**  
Any bank authorized by RBI to issue a foreign exchange. In India, all foreign exchange transactions are regulated by the Exchange Control Department of the Reserve Bank Of India.
2.  
**(d)** Powerlooms  
**Explanation:**  
Powerlooms comes under modern small industries.
3.  
**(d)** private and government owned business  
**Explanation:**  
The Indian economy consists of both privately owned and government-owned business enterprises, it is known as a mixed economy.
4. **(a)** Size of their operations  
**Explanation:**  
On the basis of Size of their operations i.e., small shop retailers are small in size and large size retailers are big in size.
5. **(a)** 5 crore rupees  
**Explanation:**  
Maximum Rs.5 crore and minimum Rs.2 crores.
6.  
**(c)** Contract R&D  
**Explanation:**  
Contract R&D is an outsourcing activity not cover under e-business
7.  
**(c)** All of these  
**Explanation:**  
Examples of Departmental undertakings are railways, post & telegraph department, and Air India.
8.  
**(c)** May 1, 1978



**Explanation:**

The District Industries Centers Programme was launched on May 1, 1978, with a view to providing an integrated administrative framework at the district level.

9.

(c) Only D

**Explanation:**

Debenture holders are a debt of the company and are not allowed to take their own decisions in the company.

10.

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

**Explanation:**

The size of the sole proprietorship business generally remains small due to a lack of resources.

11.

(b) general stores

**Explanation:**

General Stores are small scale retailers which provide the convenience of shopping to consumers at a fixed location.

12.

(d) All of these

**Explanation:**

Wholesalers purchase in bulk from manufacturers and sell in small lots to retailers or industrial users. They do not sell products to ultimate consumers.

13.

(d) 7

**Explanation:**

A minimum number of members required is 7.

14.

(c) 1982

**Explanation:**

NABARD was set up in 1982 to promote integrated rural development.

15.

(d) Corporate Social Responsibility

**Explanation:**

Corporate Social Responsibility- It is a company's commitment towards managing the social, environmental and economic effects of its operations in line with public expectations.

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

**Explanation:**

In the case of Life Insurance, it is 100% sure that the insured will get a certain sum of money sooner or later i.e, returnable to the insured either at the time of death or at the expiry of a certain period. So, it's a sort of Investment.

17.

(c) Entrepreneurs

**Explanation:**

Entrepreneurs are the one who takes the most risk . Risk is like loss by fire, theft, risk of price rise or fall, etc.

18.

(b) Social welfare

**Explanation:**

Social welfare is not done in order to get something in return.

19.

(c) tax holiday

**Explanation:**

Exemption from paying taxes for 5 to 10 years is known as Tax Holiday.

20.

(d) 51%

**Explanation:**

A government company means any company in which not less than 51% of the paid up capital is held by central govt. Or state govt. Or both

21. a. Procedure of Export Trade.

Step 1: An international buyer may make a trade enquiry related to quality, price, and terms and conditions, among others.

Step 2: As a response to the enquiry of the buyer, the exporter sends the quotation in the form of 'Proforma invoice' indicating quality, selling price, mode of delivery, quantity etc.

Step 3: The buyer, when he agrees on the quotation, places the order receipt to the exporter for importing the goods or services.

b. • Advantages of International Business:

i. **Obtaining Valuable Forex:** A country can earn valuable Forex by exporting its goods to other countries.

ii. **Division of labor:** International business leads to the specialization of product production. Therefore, high-quality products that you have the greatest advantage.

- Disadvantages of International Business:

- Competition with developed countries:** Developing countries cannot compete with developed countries. Unless an international business is managed, it impedes the growth and development of developing countries.
- Exploitation:** International business leads to exploitation from developing countries to developed countries. Prosperous and dominant nations regulate the economies of poor nations.

22. The major exports from ancient India were spices, perfumes, medicinal herbs, pigments, pearls, diamond, sapphire, turquoise, Lapis, Lazuli, animal skins, cotton cloth, silk yarn, muslin, indigo, ivory, porcelain and tortoiseshell. The most valuable of the exports of India was silk.

The major imports of ancient India were horses, from Kabul and Arabia, dry fruits and precious stones. India also imported glassware from Europe, high-grade textiles like satin from West Asia, while China supplied raw silk and porcelain, wines, dry fruits, precious stones, corals, scented oils, perfumes and velvets.

OR

- Hindrances of Place (Transportation)
- Hindrances of Time (Warehouse)
- Hindrances of Information (Advertisement)
- Hindrances of Persons (Communication)
- Hindrances of Finance (Banking)
- Hindrances of Time (Warehousing)
- Hindrances of Risk (Insurance)

23. Street traders are the small retailers who are commonly found at places where huge floating population gathers, for example, near railway stations and bus stands, and sell consumer items of common use, such as stationery items, eatables, ready-made garments, newspapers and magazines. They are different from market traders in the sense that they do not change their place of business so frequently.

24. Equity Share Capital is called risk capital as equity shareholders have a claim over the residual proceeds of the company. In other words, in the event of winding up, they are the last to be paid off after settling the claims of creditors and other external liabilities. In case the funds are insufficient to repay or settle external liabilities, equity shareholders are not paid off anything instead the uncalled amount may be called up from them.

OR

In a company, preference shareholders experience both advantages and disadvantages. On the upside, they collect dividend payments before common stock shareholders receive

such income. But on the downside, they do not enjoy any voting rights that common shareholders typically have.

25. i. At 'Geeta Pustak Bhandar' only religious books are sold out. This type of shop is known as the Single Product Store. These traders deal in only one type of goods. They keep all the varieties of this type of goods. For example, there will be religious books of all religions available with the trader dealing in religious books.
- ii. At 'Kapoor Pustak Bhandar' all kinds of books are sold out. This type of shop is known as Single Line Store. These traders deal in one product. They keep goods of all types of the class, the product of which they deal in.

OR

The disadvantages of departmental stores are as follows:

- i. **Lack of personal attention:** Large size of the store makes it difficult to provide adequate personal attention to all the customers.
  - ii. **High possibility of loss:** Due to large-scale operations, the possibility of losses are high in these stores. Losses are like loss of theft, pilferage, etc For example, in case of a change in fashion, the store has to sell out-of-fashion goods in the clearance sale at heavy discounts.
  - iii. **High operating cost:** Because of the various services offered by the store to its customers, the operating cost is high. High operating cost increases the price of the goods and hence these stores are not attractive for lower-income groups.
  - iv. **Inconvenient location:** Since these stores are centrally located, it is not convenient for the purchase of goods required immediately.
  - v. **High risk:** There is a greater risk as the success of departmental store depends on continued prosperity.
26. Along with economic objectives, the business also has social objectives which are as follows:
- i. **Supply good quality products:** Businessmen should produce and supply products of proper quality and at reasonable prices to satisfy the expectations of consumers.
  - ii. **Avoidance of unfair trade practices:** Practices such as black marketing, adulteration, etc. should be avoided.
  - iii. **Employee welfare:** Employers should provide good working conditions, fair and just treatment, and impressive wages along with social security to their employees.
  - iv. **Generation of employment:** A businessman must create employment opportunities so that different sections of the society can earn their livelihood.
  - v. **Conservation of the environment:** Business enterprises should take the necessary steps to protect the environment. A proper arrangement should be made for the disposal of effluents, wastes, etc.

vi. **Contribution to social welfare:** Business plays a proactive role in the general welfare of society. The Business lends support to social, cultural, religious, research, and development organizations by building schools, hospitals, etc.

OR

Following are the important auxiliaries to trade:

- i. **Transportation and communication:** Production of goods generally takes place in a particular location, But these goods are demanded consumption in different parts of the country. This hindrance of place can be removed by transportation—road, rail or coastal shipping, etc. In the same way, the hindrance of information is removed by communication. Communication helps in the exchange of information between producers, consumers, and traders.
- ii. **Banking and finance:** Banks and financial institutions provide credit facilities to provide finance for the smooth flow of business activities. Other facilities like collection and deposit of cheques, issue of bank draft, discounting of bills of exchange, etc. are also provided by banking institutions.
- iii. **Insurance:** Risk is inherent in the business. The insurance sector provides protection from some of the risks faced by businesses. These risks mainly include theft, burglary, fire, accident, etc, and helps the businessman to focus on the primary and operating activities.
- iv. **Warehousing:** Goods are not consumed immediately when these are produced usually there is a time gap between production and consumption of goods special arrangement has to be made to store the goods to prevent the loss of goods and to keep them fresh. Warehousing helps the businessman to overcome the problem of storage by creating time utility.

27. Difference between traditional business and e-business:

Basis of difference	Traditional business	e-business
Ease of formation	It is difficult to form.	It is very simple to form.
Cost of setting up	The cost of setting up is high.	The cost of setting up is low.
Physical presence	It requires physical presence.	It does not require physical presence.
Business processes and length of the cycles	The business process cycle is long.	The business process cycle is short.
Government patronage	Shrinking	Increasing(IT sector is among the topmost priorities of the government)

28. The advantages of being an MNC is:

- i. **Huge Capital Resources:** These enterprises are characterized by possessing huge financial resources and the ability to raise funds from different sources. They are able to tap funds from various sources. They may issue equity shares, debentures or bonds to the public. They are also in a position to borrow from financial institutions and international banks. They enjoy credibility in the capital market.
- ii. **Foreign Collaboration:** Global enterprises usually enter into agreements with Indian companies pertaining to the sale of technology, production of goods, use of brand names for the final products, etc. These MNCs may collaborate with companies in the public and private sector.
- iii. **Advanced Technology:** These enterprises possess technological superiorities in their methods of production. They are able to conform to international standards and quality specifications. This leads to the industrial progress of the country in which such corporations operate since they are able to optimally exploit local resources and raw materials. Computers and other inventions have come due to the technological advancements provided by MNCs.
- iv. **Product Innovation:** These enterprises are characterized by having highly sophisticated research and development departments engaged in the task of developing new products and superior designs of existing products. Qualitative research requires huge investment which only global enterprises can afford.

29. Since business organisations are a part of society, they must have a positive attitude towards the needs of society. Business is only a subsystem of society and this subsystem must contribute to the welfare of the main system. Therefore, the decisions taken by the manager should take into consideration the welfare of not only his organisation but also the welfare of other subsystems (different parts of society like customers, shareholders, employees, etc.) so that the entire society or the complete system is benefited. When one subsystem thinks of the welfare of the other subsystems, the others also come to its help which finally results in the welfare of all.

30. Entrepreneurship development aims at individuals who want to start or possibly expand a business.

- i. Entrepreneurship development programmes motivate people to establish a new business which in turn creates employment opportunities.
- ii. It helps in the formation of capital.
- iii. Entrepreneurship development programmes aids in the formulation of projects.
- iv. It helps in distributing economic activities in all the areas of the country thus resulting in balanced regional growth.
- v. It also helps the entrepreneur to use local resources.

- vi. Entrepreneurship development programmes help in creating employment opportunities which in turn leads to improvement in the standard of living
- vii. Entrepreneurship development is the means of enhancing knowledge and skills of entrepreneur through several classrooms and programmes and training.

### 31. Features of the WTO (World Trade Organization):

- a. It governs trade in goods, services and intellectual property rights among the member countries.
- b. It is a body created by an international treaty with the approval of the governments and legislatures of the member states.
- c. The decisions of the WTO are made by the governments of the member nations on the basis of consensus.
- d. Unlike the GATT, it is a legal entity.
- e. Unlike the International Monetary Fund (IMF) and the World Bank (WB), it is not an agent of the United Nations.

### Structure of the WTO:

1. Ministerial Conference: The topmost decision making body WTO is the Ministerial Conference. It meets once in two years.
2. General Council: The second level of WTO is the General Council. It consists of members, ambassadors and heads of delegations. It meets several times a year in Geneva.
3. Other Councils: There are many other types of the council like Goods Council, Services Council, IP Council etc. These councils deal with specific issues.

### Objectives of the WTO:

- i. Optimum utilization of resources: To facilitate efficient and fuller use of the world's resources for sustainable development.
- ii. Durable trading system: To provide an integrated, viable and durable trading system.
- iii. Reduction of tariffs: To ensure a reduction of tariffs and other trade barriers imposed by different countries.
- iv. Helps in improving the standard of living: To encourage activities which result in improving the standards of living, creating employment, growth of income etc.

### Functions of the WTO:

- i. Reducing trade barriers
- ii. Mitigating grievances
- iii. Supervising Trade-Related Intellectual Property Rights
- iv. Settling disputes
- v. Following the rules

OR





The following factors govern the choice of mode of entry into international business

- i. **Ease of Entry:-** Some modes of entry into an international business like exporting involve lesser formalities than others such as going for joint ventures, franchising or wholly-owned subsidiaries. Thus, initially exporting is the mode generally adopted for entry into international markets.
- ii. **Associated Risk:-** Risk of international exposure is higher in joint ventures and wholly-owned subsidiaries as more investment is involved and socio-economic conditions of the host country along with political and regulatory concerns become more important. Therefore, some other modes like licensing or contract manufacturing might be chosen to reduce risk.
- iii. **Efforts Involved:-** Time and effort one needs to put in is another factor that determines the mode of international business. A mode like exporting, licensing and franchising involves lesser effort than joint venture or wholly-owned subsidiary.
- iv. **Degree of Control:-** If a firm wants to exercise full control over the operations in foreign countries; it goes for a wholly-owned subsidiary. Similarly, the degree of control is higher in franchising as compared to licensing and so on.
- v. **Nature of Business:-** If the business requires the firm to be in close contact with the customers in the foreign markets, wholly-owned subsidiary or joint venture is more suitable while if the products can be supplied from a distance, modes like exporting can suffice. The nature of products being manufactured and the availability of raw material also determines the mode of entry into international business.

32. Promoters make an application to the Registrar for the incorporation of the company. The application must be accompanied with the following documents:

- i. The Memorandum of Association duly stamped, signed and witnessed by at least seven members in case of a public company and of two members in case of a private company.
- ii. The Articles of Association duly stamped and witnessed as in case of the Memorandum.
- iii. Written consent of the proposed directors to act as directors and an undertaking to purchase qualification shares.
- iv. The agreement, if any, with the proposed Managing Director, Manager or Whole-Time Director.
- v. A copy of the Registrar's letter approving the name of the company.
- vi. A statutory declaration affirming that all legal requirements for registration have been complied with. This must be signed by an advocate of a High court or Supreme Court or a signatory to the Memorandum of Association or a Chartered Accountant or Company Secretary in whole-time practice in India.



- vii. A notice about the exact address of the registered office may also be submitted along with these documents. However, if the same is not submitted at the time of incorporation, it can be submitted within 30 days of the receipt of the Certificate of Incorporation.
- viii. Documentary evidence of payment of registration fees.

OR

- a. Jagat has promoted his business organization in the form of Sole proprietorship. A sole proprietorship form of business organisation which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks.
  - b. The four features of a sole proprietorship form of business organization are described below:
    - i. **Ease of formation and closure:** A sole proprietorship form of business organisation is not covered by a separate law. As a result, it is easy to form or close down it with minimum formalities.
    - ii. **Unlimited liability:** The liability of a sole proprietor is unlimited because in the eyes of the law the owner and his business are one and the same. Therefore, the personal assets of the sole proprietor may be utilised to settle the claims of the creditors if the business assets are insufficient to meet the debts.
    - iii. **Sole risk bearer and profit recipient:** A sole proprietor is not expected to share the gains of his business with anyone and remains the sole recipient of it and also the risk of failure of a business is borne all alone by him.
    - iv. **Lack of business continuity:** Since a sole proprietorship business doesn't have a separate legal entity the death, insolvency or insanity of the sole proprietor may adversely affect the business and lead to its closure.
33. i. The two types of capital being described above are as follows:
- a. **Fixed capital:** 'he will need funds to buy land and building, machinery and furniture and fixtures'. Fixed capital refers to the capital invested in fixed assets of a business. It is raised from long-term funds that remain invested in the business for a period of more than five years.
  - b. **Working capital:** 'funds will be required to meet day-to-day operations such as maintaining stocks, bills receivables and for meeting current expenses like salaries, wages, taxes, and rent.' Working capital refers to the capital invested in meeting the day-to-day needs of a business that are met through short-term funds. Short-term funds are those funds that are required for a period of not more than one year.
- ii. The factors that are likely to affect the fixed capital requirements of a business are stated below:



- a. **Nature of business:** The fixed capital needs of a manufacturing concern are higher than that of a trading concern.
  - b. **The scale of business:** When the scale of a business is large it will require more fixed capital or vice-versa.
  - iii. The factors affecting the working capital requirements of a business are stated below:
    - a. **Growth Prospects:** A business having expansion plans will require more working capital.
    - b. **Credit allowed:** If a business sells goods on credit, its working capital requirements will be more as compared to a business which only allows cash sales.
34. a. The feature of services being discussed above is 'Inconsistency'. It means unlike goods, services are not standardised. It may differ from individual to individual and is based on consumer demands and expectations. Moreover, the quality of services may also vary depending upon the approach of the service providers. The efficiency of a dedicated and committed service provider will be more.
- b. The three other features of services are:
- i. **Intangibility:** Like goodwill of a business, services are intangible in nature. They cannot be touched. Since they are purely experiential in nature the quality of services cannot be determined before consumption. Therefore, it is essential that the service providers work deliberately towards creating desired services in order to ensure that the consumer undergoes a favourable experience. For example, watching a movie should be a pleasant experience for the audience.
  - ii. **Inseparability:** The presence of the customer is required and his/her interaction with the process of providing services has to be managed. It is the simultaneous activity of production and consumption, thereby making both of them inseparable.
  - iii. **Inventory:** Unlike goods, services cannot be produced and stored beforehand. The services have to be performed as and when a consumer asks for it. Services are perishable therefore, the marketers may keep an inventory of the related goods but not the services itself. For example, a beauty salon may only keep a ready stock of accessories like a comb, water dispenser, hairdryer, scissors, etc. which are needed to provide a haircut service to a client, but the service itself cannot be stored.