

Class XI Session 2025-26
Subject - Business Studies
Sample Question Paper - 2

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. Which of the following is organised by individuals? [1]
 - a) Atomic industry
 - b) Cottage Industries
 - c) Chemical Industry
 - d) Railway Industry
2. Business transaction taking place within the geographical boundaries of a nation is known as a domestic or national business. It is also referred to as internal business or home trade. Manufacturing and trade beyond the boundaries of one's own country is known as international business. [1]

Permitting another party in a foreign country to produce and sell goods under your trademarks, patents, or copyrights in lieu of some fee is another way of entering into international business. This is through _____.

 - a) sale of goodwill
 - b) sale of trademark
 - c) sale of copyrights
 - d) licensing and franchising
3. **Assertion (A):** Statutory Corporations don't have the authority to use their revenues. [1]

Reason (R): They frame their own policies and procedures within the powers assigned to them by the Act.

 - 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.
4. Which of the following statements is false regarding the mail-order houses? [1]
 - a) Sell their merchandise through mail
 - b) Customers are approached through advertisements
 - c) Indirect personal contact between the buyers and the sellers
 - d) Direct personal contact between the buyers and the sellers
5. Expand KVIC [1]

- a) Khadi and Village Industries Commission b) Khadi and Village Industries Core
c) King of Village Industries Commission d) King of Village Investment Culture
6. Which method is very popular for making online transactions? [1]
a) Credit Card b) Debit Card
c) Net Banking d) All of these
7. A Government Company may be formed as which of the following: [1]
a) Either Public or Private Company b) Neither Public nor Private Company
c) Public Company d) Private Company
8. **Assertion (A):** Sole Proprietors have vast resources for investing in a business. [1]
Reason (R): HUF businesses have continued existence in contrast with a sole proprietorship.
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.
9. Which of the following is part of Village and Small Industries Sector? [1]
a) Handlooms b) All of these
c) Sericulture d) Handicrafts
10. The Chamber of Commerce and Industries safeguards the interest of: [1]
a) Businessmen b) Business and Businessmen
c) Retailers d) Business
11. 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 A b) Only D
c) Only C d) Only B
12. Which of the following utilities are provided by the wholesalers: [1]
a) Only time utility b) Neither time nor place utility
c) Both time and place utility d) Only place utility
13. _____ is not a separate entity in the eyes of law. [1]
a) Public company b) Government company
c) Limited company d) Sole Proprietorship
14. Limit of investment in small scale industry is _____. [1]
a) ten lakh b) five crore
c) two crore d) ten crore
15. The primary responsibility of a business is to produce goods and services that society wants and sell them at a [1]



a) economic responsibility

c) Social responsibility

b) personal responsibility

d) legal responsibility

16. Which of the following statements is incorrect about e-banking? [1]
 - a) Helps to perform virtual banking functions
 - b) Has emerged due to advances in information technology
 - c) Services can be availed at any hour
 - d) Has increased the load on the branches
 17. ISO 9000 is concerned with: [1]
 - a) export
 - b) import
 - c) quality
 - d) quantity
 18. Which of the following is not a characteristic of business? [1]
 - a) Non economic activities
 - b) Entrepreneurship
 - c) Creation of utilities
 - d) Regularity of dealing
 19. What do you mean by an entrepreneur ? [1]
 - a) Job-hunter
 - b) Job-applicant
 - c) Job creator
 - d) Job-seeker
 20. Reconstruction of sick public sector units is taken up by: [1]
 - a) BIFR
 - b) NRF
 - c) MoU
 - d) MOFA
 21. Differentiate between Sight and issuance drafts. [3]

OR

How is the payment of customs duties made?
 22. Write a short note on Merchant Corporations. [3]

OR

Ritesh and Hitesh are childhood friends. Ritesh is a consultant whereas Hitesh is an architect. They contributed equal amounts and purchased a building for ₹2 crores. After a year, they sold it for ₹3 crores and shared the profits equally. Are they doing the business? Give a reason in support of your answer. State the feature of business which is being highlighted in the given example.
 23. How does the wholesalers help the manufacturer in availing the economies of scale? [3]
 24. Mr. Ankit is a Sole Trader. He runs the 'Prabhat Medical Store'. He needs some money. For this, he met the Branch Manager of a bank. Ankit told the Manager that he needed some such loan as may have the maximum limit fixed. He should be permitted to withdraw as much money as desired up to that limit from the bank. Also, he wants that the interest charged should not be on the maximum limit fixed but on the actual amount withdrawn. The Bank Manager said that they had got such a scheme under which loan could be granted only when the person availing loan kept some property with the bank by way of security. Mr. Ankit became prepared to fulfil this condition. In this way, the loan agreement was finalised between Mr. Ankit and the bank. [3]
 - Identify this scheme of the bank and explain it.
 25. Bhavesh owns a retail outlet in which he sells Men's Wear. He has a stock of different brands like Allen Solly, [4]

Raymonds, Van Heusen, etc. His store is gaining a lot of popularity as there is a large variety of men's wear in all sizes and colours.

- a. Bhavesh 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 Bhavesh should be placed.
- c. State any three features of the type of retailer as identified in part (b) of the question.

26. What is the role of profit in business? [4]

OR

Profit is not an objective but a requirement of the business. Do you agree with this statement? Support your answer with reasons.

27. After completing a course in gemology, Esha joins her father in the family business of fashion jewellery. Her father owns two showrooms at different locations in the city and operates his business through them. However, Esha intends to expand the business by venturing into online retailing. She also intends to introduce flexible manufacturing with the use of computer networks wherein the marketing department can interact constantly with the production department and get the customized products made as per the requirements of the individual customer. [4]

- a. How is the mode of business that Esha intends to adopt different from the one that her father has been following over the years?
- b. Distinguish between the two different modes of business as identified in part (a) of the question by giving any four points.

28. How did the government play a significant role in the development of infrastructure? [4]

OR

State the limitations of statutory corporations?

29. Business has to safeguard not only the interests of the parties but the interests of several other parties also. The other parties are the employees, consumers, suppliers, competitors/rivals, government, community and the world. Today, only that business is regarded as good which along with the interests of the owner takes care of the interests of all these parties also. [4]

- Which concept of business has been talked about in this statement?
- Identify that concept and state its meaning.

30. What are the requirement or conditions of patentability? [4]

31. Tarun, an entrepreneur in the defense manufacturing industry, decided to import advanced machinery from France to enhance the production of automatic and high-quality guns. After conducting thorough research, he identified the latest technology available in France that would help improve efficiency and precision in manufacturing. Tarun negotiated with the French suppliers, ensuring that the machinery would meet the required standards for his products. He also arranged for the necessary import documentation and logistics to ensure smooth transportation. With this machinery, Tarun aimed to upgrade his production process, offering state-of-the-art firearms to meet the growing demands of the market. [6]

Explain the initial six steps that he needs to take in order to import machinery from France.

32. Discuss the characteristics, merits and limitation of cooperative form of organisation. Also describe briefly different types of cooperative societies. [6]

OR

Explain the six steps required to raise funds from the public i.e., capital subscription by the company.



33. Garima is having a degree of hotel management and an experience of 5 years working with Hotel Oberoi. She has a keen desire to start a hotel of her own. A few days back she saw a hotel which was in the sale. The hotel was on a highway and had good business potential but needed renovation. She fixed a meeting with the property owner and finalized the deal for ₹ 25 lakh, she sat down to prepare a business plan and realized that to start off her own business she will need funds not only to finance the purchase but also to run the business. She will need an additional ₹ 10 lakh to renovate the hotel and ₹ 5 lakhs as a bank balance to meet day-to-day expenses. She checked her bank balance and could organize only 10 lakhs out of personal savings. She met the bank manager to find out how the bank could help to arrange the required funds. The bank manager was ready to give her loan of ₹ 15 lakh against hotel ownership papers as security for ten years. Her two friends Himanshi and Seema readily agreed to provide the funds required but would like to be a partner in the business. On the basis of the information given above answer the following question: [6]
- Name the type of capital required to meet day to day expenses.
 - What type of capital Garima requires to buy the hotel.
 - State any four limitations of borrowing from the bank.
 - If she gives ownership rights to her two friends in her business with limiting their liabilities to the extent of their investment made, which source of the fund she has used here?
 - What will be the nature of return on capital employed given to Himanshi and Seema who are also the owners of Garima's hotel?

34. Explain the functions of commercial banks with an example of each. [6]

OR

State the types of life insurance policies.



Solution

1.
(b) Cottage Industries
Explanation:
Cottage Industries are organised by individuals, with their private resources.
2.
(d) licensing and franchising
Explanation:
Permitting another party in a foreign country to produce and sell goods under your trademarks, patents or copyrights in lieu of some fee is another way of entering into international business is through licensing and franchising.
3.
(d) A is false but R is true.
Explanation:
Statutory Corporation is usually independently financed. It obtains funds by borrowings from the government or from the public through revenues, derived from the sale of goods and services and at the same time has the authority to use its revenues.
4.
(d) Direct personal contact between the buyers and the sellers
Explanation:
In mail-order business there is no direct personal contact between the buyers and the sellers. Orders are taken through advertisements.
5. **(a)** Khadi and Village Industries Commission
Explanation:
The various policies, programmes and schemes related to agro and rural industries are implemented by the ministry through the Khadi and Village Industries Commission (KVIC), Handicrafts Board, Coir Board, Silk Board, etc.
6.
(d) All of these
Explanation:
Debit Card, Credit Card and Net banking are a very popular method for making online transactions.
7. **(a)** Either Public or Private Company
Explanation:
A government company may be formed as a private company or a public company.
8.
(d) A is false but R is true.
Explanation:
Since Sole Proprietors simply depend on their own personal savings and borrowing from others, resources are very limited.
9.
(b) All of these
Explanation:
The village and small industries (VSI) sector consist broadly of traditional industries (viz. handlooms, khadi, and village industries, sericulture, handicrafts, and coir) and modern small scale industries including 'tiny' units and power loom.



10. **(b) Business and Businessmen**
Explanation:
It safeguards the interest of Business and Businessmen.
11. **(d) Only B**
Explanation:
Inter Corporate Deposits are **unsecured short-term** deposits made by a company with another company.
12. **(c) Both time and place utility**
Explanation:
Wholesalers provide both time and place utility
13. **(d) Sole Proprietorship**
Explanation:
A sole proprietorship has no legal existence, i.e. in the eyes of the law, no distinction is made between the firm and the proprietor. As a result, the owner is held responsible for all the activities of the business.
14. **(d) ten crore**
Explanation:
A small enterprise is an enterprise whose investment in plant, machinery and equipment does not exceed **Rs.10 crore**, and turnover does not exceed Rs.50 crore.
15. **(a) economic responsibility**
Explanation:
A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic.
16. **(d) Has increased the load on the branches**
Explanation:
E-banking has decreased the load on the branches.
17. **(c) quality**
Explanation:
ISO 9000 is concerned with quality.
18. **(a) Non economic activities**
Explanation:
Business refers to the purchase and sales of goods with the objective of earning profit. Business activity is an economic activity because it is related to money. Business is an economic activity.
19. **(c) Job creator**
Explanation:
An entrepreneur is a Job creator and not a job seeker or hunter.
20. **(a) BIFR**
Explanation:

Reconstruction of sick public sector units is taken up by BFIR (Board for Industrial and Financial Reconstruction).

21. Basis of difference	Sight draft	Issuance draft
When documents are handed over	Documents are handed over to the importer once he or she agrees to sign the draft.	Documents are handed over to the importer after the acceptance of the bill of exchange.
Payment	Payment is made at the time of issuing the draft.	Payment is made on the expiry of a specified period.
Also called	This type of payment is also known as a "sight draft" or a "sight bill."	This type of payment is also called as time draft.

OR

Custom duty/Dock challan: Dock charges are to be paid when all the formalities of the customs are completed. While paying the dock dues, the importer or his clearing agent specifies the amount of dock dues in a challan or form which is known as dock challan.

22. The merchant community also derived power and prestige from guilds, which were autonomous corporations formed to protect the interests of the traders. These corporations, organised on a formal basis, 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. They were paid either in cash or in kind.

OR

No, they are not doing business as they are not involved in doing sale and purchase of land/plot on a regular basis. To be a business activity, dealing of goods must be on a regular and recurring basis. The feature highlighted in the given example is: Dealings in goods and services on a regular basis.

23. The wholesaler acts as an intermediary between the manufacturer and retailer. He is very close to the manufacturer. Wholesalers often purchase goods in bulk quantities from manufacturers. They buy in bulk which enables manufacturers also to produce in bulk and avail benefits of large-scale production. Once a purchase is made, the wholesalers distribute the goods in small quantities to retailers for further resale. However, during this process, they provide manufacturers with a variety of warehousing facilities such as collection, storage, marketing and distribution of goods. These services reduce the burden on manufacturers by creating time and place utility, thus enabling them to produce goods on a large scale and benefit from the economies of scale.
24. This scheme of the bank is known as 'Cash Credit'.

Cash Credit: Under this facility, a bank grants the right to its customer to borrow money up to a certain limit against security. Out of the sanctioned limit, the customer withdraws the amount according to his need. It may be noted that he pays interest on the amount actually withdrawn by him.

25. a. Bhavesh will be classified as a 'Fixed Shop Retailer' because he operates his business from a permanently established shop.
b. Speciality Shop retail trade.
c. The main features of Speciality Shops are:
i. They specialize only in one product of a certain line instead of all products of that line.
ii. They keep variety of particular product.
iii. They are generally located at central places in order to attract a large number of customers.

26. The success of a small business depends on its ability to continually earn profits. Profit is the total revenue from sales minus the total cost of resources employed by the entrepreneur. Earning a profit is important to a small business because profitability impacts whether a company can secure financing from a bank, attract investors to fund its operations and grow its business. Companies cannot remain in business without turning a profit.

Earning of profits is essential for any business because of the following reasons given below:

- Means of Livelihood:** It is the most important source of income and provides a livelihood for the businessman. Everyone has to satisfy his needs and hence no one is expected to undertake business activities without any earning for the same.
- Rewards for taking risks:** Risk is always associated with the business. A person who invests money in the business has to bear the risk also. Profit is a reward for the future which is uncertain.
- Funds for Growth:** Profit is the source of finance for expansion and diversification of business activities.
- Symbolic of efficiency:** Profits symbolize that management is efficient and business is operating in a healthy manner.

OR

Yes, I agree with this statement, that profit is not an objective but a requirement of the business. A business must earn a profit because of the following reasons:

i. **For Survival:** Profits alone help a business to continue to exist for a long time. It has been observed that for achieving other economic as well as social objectives, profit must be earned. The business in which the profit is meager or no profit is earned, closes down quickly.

ii. **For growth and expansion:** Profit provides a sound financial structure for the growth and expansion of the business.

27. a. Esha intends to start e-business, whereas her father is following the traditional business.

b. The difference between e-business and traditional business is as follow:

S. No	Basis of distinction	Traditional business	e-business
1.	Ease of formation	The procedure involved in setting up the business is difficult.	The procedure involved in setting up the business is simple.
2.	Physical presence	Required	Not required
3.	Cost of setting up	High investment is needed	Investments are low as there is no need for physical facilities
4.	Operating cost	Operating cost is high due to fixed charges associated with an investment in procurement and storage, production, marketing, and distribution facilities.	The operating cost is low since the business operates on a network of relationships rather than ownership of resources.

28. The development of infrastructure is a prerequisite for industrialisation in any country. In the pre-Independence period, basic infrastructure was not developed and therefore, industrialisation progressed at a very slow pace. The process of industrialisation cannot be sustained without adequate transportation and communication facilities, fuel and energy, and basic and heavy industries. The private sector did not show any initiative to invest in heavy industries or develop it in any manner. They did not have trained personnel or finances to immediately establish heavy industries which was the requirement of the economy. It was only the government which could mobilise huge capital, coordinate industrial construction and train technicians and workforce. Rail, road, sea and air transport was the responsibility of the government, and their expansion has contributed to the pace of industrialisation and ensured future economic growth.

OR

Some of the limitations of statutory corporations are as follows:

i. **Government interference:** In matters related to some major decisions or involving huge funds are involved, there is always government and political interference.

ii. **Corruption:** Where it involves dealing with the public, rampant corruption exists. This corruption destructs the whole purpose of creating such enterprises.

iii. **Flexibility on papers only:** All decisions of such enterprises are subjected to many rules and regulations of the government. Therefore, the operational flexibility is available on papers only.

iv. **Delays in action:** An advisor from the government side is appointed in these enterprises. His presence reduces the freedom of the enterprise to enter into contracts or to take independent decisions. Sometimes, some issues are referred to the government for further clarifications or opinion. All these channels further lead to delays in action.

29. The name of this concept is the Social Responsibility of Business.

Social Responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society.

Social Responsibility of business can be divided into four categories- Economic Responsibility, Legal responsibility, Ethical responsibility and Discretionary responsibility,

Some of the specific responsibilities and enterprise may be outlined as:

i. Responsibility towards the shareholders or owners

ii. Responsibility towards the workers

iii. Responsibility towards the consumers

iv. Responsibility towards the government and community

30. i. **Novelty:** An invention must be novel. An invention is considered novel if it is not included in the prior art. Prior art consists of everything which was made accessible to the public before the date on which the patent request was filed (written or oral request), which is currently used, or made accessible by any other means. The content of patent requests, even unpublished



ones, is part of prior art in the country in which the patent is requested. In this case, an invention that is not yet known by the public may be part of the prior art, thus invalidating a formerly filed patent request.

- ii. **Inventive character:** An invention has an inventive character if it is not obviously linked to the prior art for a professional in the field, i.e. it is not obvious for a specialist. Decisions on this inventive character are made on a case by case basis, taking into account all circumstances. A genius inventor or complex inventions are not required. A simple solution to a problem that has remained unsolved for years may be inventive.
- iii. **Industrial application:** An invention must have industrial application, which means that it must be able to be manufactured or used in any kind of industry, commerce, or in agriculture. An invention, as a technical solution to a technical problem, must meet this industrial application requirement. However, this condition is not met by discoveries or scientific concepts, which are never inventions.
- iv. **The legality of the invention:** Inventions whose commercial use would violate public order or morality are not patentable. This also covers inventions whose application would cause significant damage to the environment or risk the life or health of human beings, plants, or animals. The fact that the application of the invention goes against a legal or regulatory provision does not always exclude patentability, or at least not any more than the fact that it may be used for illegal means.

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.

32. The word 'cooperative' means working together and with others for a common purpose. Thus, a cooperative society is a voluntary association of individuals who work together to protect or promote their common interests. Some of the features of Cooperative Societies are:

- i. **Separate legal entity:** The registration of a cooperative society is compulsory under the Cooperative Societies Act, 1912. Once the registration is complete, the cooperative society is granted the status of a separate legal entity. This implies that the cooperative society can enter into contracts in its own name. It can sue others and also can get sued.
- ii. **Management and control:** In a Cooperative Society, the power to take decisions lies in the hands of an elected managing committee. The right to vote gives the members a chance to choose the members who will constitute the managing committee.

Some of the Merits of Cooperative Societies are:

- i. **Ease of formation:** The formation of a cooperative society is quite easy as it requires only 10 adult members. The registration procedure of a society under the Cooperative Societies Act, 1912, is quite simple.
- ii. **Stable existence:** A cooperative society is a stable form of organization as it enjoys the status of a separate legal entity that is considered distinct from its members. As a result, the life of a cooperative society remains unaffected by the death, insolvency or insanity of its members.

Some of the limitations of Cooperative Societies are:

- i. **Excessive government control:** Cooperative societies have to follow certain rules and regulations as imposed on them by the government. These rules include the submission of accounts and auditing of accounts.



- ii. **Inefficiency in management:** The management of a cooperative society generally comprises of people who are inexperienced as they offer services on a voluntary basis. They are not well equipped with the skills required to handle the managerial functions effectively.

Cooperative societies are classified into the following six types:-

- i. **Consumer cooperative societies:** These are formed to provide consumer goods at reasonable prices to its members.
- ii. **Producer cooperative societies:** The objective of producer cooperative societies is to procure raw materials and other inputs at low costs and supply them to small producers.
- iii. **Marketing cooperative societies:** These societies are established to help small producers in selling their products and perform certain marketing functions for them such as transportation, labeling, packaging, and warehousing.
- iv. **Farmers' cooperative societies:** Such societies are formed by small farmers who pool their resources to reap the benefits associated with large-scale operations. These societies ensure the availability of better and advanced inputs at low rates to farmers.
- v. **Credit cooperative societies:** These societies ensure the availability of funds to its members at comparatively low-interest rates on reasonable terms.
- vi. **Cooperative housing societies:** The aim of housing cooperative societies is to solve the problem of finding residential accommodation of its members by constructing houses for them. These societies provide its members with easy repayment schemes through which the cost of the houses can be repaid in the form of installments.

OR

Below are the steps:-

- i. **Approval from SEBI:** The first step is to take approval from the regulatory authority i.e., SEBI. The company has to follow all the rules and guidelines that are issued by the SEBI.
 - ii. **Filing of the prospectus:** Prospectus is a statement containing all the relevant information regarding the state of affairs of the company. The purpose of the prospectus is to induce the public to purchase the shares and debentures. So, the next step is to file a copy of the prospectus with the registrar of companies.
 - iii. **Appointment of bankers, brokers, and underwriters:** The application money is to be received by the bankers of the company. The brokers try to sell the shares by distributing the forms and encouraging the public to apply for the shares. If the company is not assured of a good public response to the issue, it may appoint Underwriters. Underwriters undertake to buy the shares, if these are not subscribed by the public.
 - iv. **Minimum subscription:** Minimum subscription means the minimum amount which should be subscribed by the public. According to the guidelines of SEBI, the minimum subscription is 90 per cent of the entire issue.
 - v. **Application to Stock Exchange:** An application is made to at least one stock exchange for permission to deal in its shares or debentures.
 - vi. **Allotment of shares:** Allotment letters are issued to successful allottees.
33.
 - i. Working capital is required for day to day expenses.
 - ii. Fixed capital or long-term capital will be required to buy the hotel.
 - iii. Limitations of borrowings from banks are High financial risk, charge on assets, fixed financial obligation to pay interest, contractual constraints.
 - iv. She has used equity shares to raise the funds. Giving ownership rights to her friends.
 - v. Himanshi and Seema will get a share in the profits as 'Dividend' which is uncertain in nature (depending on profits of the business) as a return on their capital employed.
34. A commercial bank is a profit-based financial institution that grants loans, accepts deposits, and offer other financial services such as overdraft facilities and electronic transfer of funds.
- The main functions of commercial banks are-
- i. **Collection of deposits:** These banks accept deposits from their clients. The depositors can withdraw their money from their accounts in the form of cash or through cheques and drafts. Higher rate of interest is paid on fixed deposits as compared to the savings accounts.
 - ii. **Granting loans:** Banks grants loans to industry, trade, and commerce. These loans can be given in the form of overdrafts, cash credits, discounting trade bills, term loans, consumer credits, and other miscellaneous advances.
 - iii. **Collection of cheques and bills:** Banks collect the cheques for their customers drawn on other banks. There are two types of cheques mainly:
 - (a) Bearer cheques, which are encashable immediately at bank counters and



(b) Crossed cheques are to be deposited only in the payee's account.

To collect cheques, banks have clearinghouses.

- iv. **Allied Services:** These banks also provide allied services such as bill payments, locker facilities, underwriting services. Banks also perform other services like opening Demat and trading accounts of customers for buying and selling shares and debentures on instructions and other personal services like payment of insurance premium, collection of dividends, etc.
- v. **Custodial services:** Commercial banks act as custodians by providing protection to the valuable articles of their clients.
- vi. **Issue of letter of credit:** Letter of credit is a very important document in external trade. It gives assurance of payment on behalf of the importer. The letter of credit is issued by the importer's bank to the exporter's bank to give assurance of payment on delivery of goods in the importer's country.

OR

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.

