

Class XI Session 2025-26
Subject - Business Studies
Sample Question Paper - 4

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. What do you mean by entrepreneurship? [1]
 - a) Pursuing employment
 - b) Setting up of one's own business
 - c) Practicing profession
 - d) All of these
2. 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) Licensing
 - b) Lease
 - c) Contract manufacturing
 - d) Joint venture
3. **Assertion (A):** The power to appropriate profits of a Statutory Corporation is in the hands of the state. [1]
Reason (R): These are wholly owned by the state which has the ultimate financial responsibility.
 - 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 is incorrect regarding the features of a Chain Stores or Multiple Shops: [1]
 - a) Networks of retail shops
 - b) Have different merchandising strategies, with different products and displays
 - c) Established in populous localities spread over different parts of the country
 - d) Run by the same organization
5. Expand RSBDC [1]
 - a) Rashtriya Small Bank Development Corporation
 - b) Rural Small Bank Development Centre
 - c) The Rural Small Business Development
 - d) Rural Small Bank Development

- | | Centre | Corporation | |
|-----|---|---|------------|
| 6. | Online buying and selling shares and other financial instruments are known as _____. | | [1] |
| | a) e-Auction | b) e-Delivery | |
| | c) e-Procurement | d) e-Trading | |
| 7. | What minimum percentage of the paid-up capital should be held by the government in a Government Company? | | [1] |
| | a) 75% | b) 100% | |
| | c) 51% | d) 49% | |
| 8. | Assertion (A): Companies usually suffer from the limitation of delay in decision-making.
Reason (R): A Company comes to an end with the death of all of its members. | | [1] |
| | 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 are small industries? | | [1] |
| | a) Less labour intensive and less capital intensive. | b) More labour intensive and less capital intensive. | |
| | c) More labour intensive and more capital intensive. | d) Less labour intensive and more capital intensive. | |
| 10. | Which of the following is an advantage of super markets? | | [1] |
| | a) No personal attention | b) One roof, low cost | |
| | c) Huge capital requirement | d) No credit | |
| 11. | Which of the following statements is incorrect regarding debentures? | | [1] |
| | A. Interest paid on debentures is tax-deductible. | | |
| | B. Debentures do not carry voting rights. | | |
| | C. It preferred by investors who want fixed income at lesser risk. | | |
| | D. Issue of debentures dilutes the control of equity shareholders on management. | | |
| | a) Only A | b) Only D | |
| | c) Only C | d) Only B | |
| 12. | Which of the following is come under Fixed Shop Small Retailers? | | [1] |
| | a) General stores | b) Departmental stores | |
| | c) Malls | d) Multiple stores | |
| 13. | Stages in the formation of a public company are in the following order | | [1] |
| | a) Incorporation, Capital Subscription, Promotion, Commencement of Business | b) Promotion, Commencement of Business, Incorporation, Capital Subscription | |
| | c) Capital Subscription, Promotion, Incorporation, Commencement of Business | d) Promotion, Incorporation, Capital Subscription, Commencement of Business | |
| 14. | Which of the following comes under Modern Small Industries? | | [1] |



- a) Powerlooms
c) Khadi
- b) Coir
d) Handicrafts
15. Need for social responsibility arises due to the: [1]
a) both firm's and society interest
b) interest of society
c) firm's interest
d) Interest of economy
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. A maximum investment that is required for equipment in Microenterprises which are engaged in rendering services is- [1]
a) ₹ 5 lakhs
b) ₹ 10 lakhs
c) ₹ 15 lakhs
d) ₹ 20 lakhs
18. Which of the following is an economic cause of business risks? [1]
a) Demand for goods
b) Price
c) All of these
d) Competition
19. Expand EOUs [1]
a) Essential Order Units
b) Essential Operating Units
c) Export Order Units
d) Export Oriented Units
20. Indian economy consists of _____. [1]
a) only private business
b) only Semi Government
c) private and government owned business
d) only government business
21. Explain different modes of entry into international business? [3]
OR
Explain in brief why nations are involved in foreign trade?
22. Why does a businessman get ready to take risk? [3]
OR
Distinguish between Pure risk and Speculative risk on the following basis:
i. Meaning
ii. Possibility of profits/loss
iii. Risk coverage.
23. Write three names of itinerants retailers. [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 [3]



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.

- Identify this scheme of the bank and explain it.

25. Rajinder Singh and his brother Ravinder Singh own a large scale retail outlet at a central location in Amritsar. They deal with varied kinds of products like textiles, footwear, cosmetics, etc. which are sold through different divisions within the establishment. [4]

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

- a. Identify the type of retail outlet being described in the above lines.
- b. State any two merits and two limitations of the type of retail outlet as identified in part (a) of the question.

26. Profit plays an important role in business. Give any four reasons to justify the statement. [4]

OR

What were the different types of Hundi used by traders in ancient times?

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. Write four measures to improve public enterprises. [4]

OR

Write the merits of departmental undertakings.

29. Taste Buds Ltd. is a well-reputed chain of taking away restaurants in Delhi. The company's earnings are high as it constantly reviews and revises its menu in the light of changing needs and preferences of the consumers. Considering the fact that in India, a child goes blind every four minutes, out of which ninety percent of the children can be easily treated so that they can lead normal lives the company has extended its financial support to many charitable eye hospitals in their endeavors to eradicate preventable childhood blindness from our country. [4]

In the context of this case answer the following questions:

- a. Briefly explain two kinds of social responsibilities being fulfilled by Taste Buds Ltd.
- b. Name any two values which are being pursued by Taste Buds Ltd.

30. Write any two ways to fund a startup. [4]

31. India is considered to be one of the leading exporters of leather goods. The main leather items include leather bags, belts, leather pouches, and handbags. Different kinds of gift items like key rings, leather journals, and leather-covered notebooks also have a huge demand in foreign countries. Numerous small scale and large scale enterprises in India are constantly engaged in exporting leather goods to various foreign countries like Germany, UK, Italy, Hong Kong, France, Spain, Netherlands, UAE, Belgium, and China. [6]

In the context of the above case answer the following:



- a. Briefly outline any two benefits available to the business firms who are engaged in leather export.
 - b. How do the different countries engaged in international trade of leather goods stand to gain (any two points)?
32. Why is partnership considered by some to be a relatively unpopular form of business ownership? Explain the merits and limitations of partnership. [6]

OR

- Explain any three advantages and three disadvantages of a co-operative society.
33. Rakesh plans to set up an environmentally-friendly textile factory. He plans to use fossil fuels to make paint, plastics, and polymers. Since the wastewater from textile processing and dyeing contain residues, he has also decided to ensure its appropriate treatment before it is released into the environment. He is planning to approach a Special Financial Institution to raise loans for his business. [6]
- In the context of the above case answer the following questions:
- a. Describe briefly any two Special Financial Institutions in India.
 - b. State any two merits of raising loans from financial institutions.
 - c. List any two values that Rakesh wants to communicate to society.
34. Describe the various services offered by e-banking. [6]

OR

Explain the main services of commercial banks. (Any four)



Solution

1.
(b) Setting up of one's own business
Explanation:
Entrepreneurship means setting up own business for profits.
2. **(a)** 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.
3. **(a)** Both A and R are true and R is the correct explanation of A.
Explanation:
Statutory Corporations are wholly owned by the state. The government has the ultimate financial responsibility. It has the power to appropriate its profits and also has to bear the losses if any.
4. **(b)** Have different merchandising strategies, with different products and displays
Explanation:
Chai stores did not have different merchandising strategies, with different products and displays. Instead, they have uniform policies.
5. **(c)** The Rural Small Business Development Centre
Explanation:
RSBDC stands The Rural Small Business Development Centre which organised several programmes on rural entrepreneurship, skill up-gradation workshops, mobile clinics and trainers training programmes.
6. **(d)** e-Trading
Explanation:
It involves securities trading, that is online buying and selling of shares and other financial instruments.
7. **(c)** 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
8. **(c)** A is true but R is false.
Explanation:
Companies function through the Board of Directors followed by the top management, middle management, and lower-level management. Due to the systematic organizational structure, it takes time for each piece of information to be passed through different levels, causing delays in decision-making and implementation.
A company is not affected by the death, insolvency, lunacy, retirement of its members. Even when all the members of a company die in an accident, it still survives and the shares are transferred to the successors or the legal representatives of its deceased members.



9.
(b) More labour intensive and less capital intensive.
Explanation:
Small scale industries employed more labour and less capital .
10.
(b) One roof, low cost
Explanation:
The supermarket allows the customers to check a variety of products under one roof at a low cost.
11.
(b) Only D
Explanation:
Debenture holders are a debt of the company and are not allowed to take their own decisions in the company.
12. **(a)** General stores
Explanation:
General Stores come under Fixed Shop Small Retailers. General stores are most commonly found in a local market and residential areas.
13.
(d) Promotion, Incorporation, Capital Subscription, Commencement of Business
Explanation:
Promotion, Incorporation, Capital Subscription, Commencement of Business
14. **(a)** Powerlooms
Explanation:
Powerlooms comes under modern small industries.
15. **(a)** both firm's and society interest
Explanation:
At present both social and business interests are considered complementary to each other and that is why the need for social responsibility arises.
16.
(d) Has increased the load on the branches
Explanation:
E-banking has decreased the load on the branches.
17.
(b) ₹ 10 lakhs
Explanation:
Maximum ₹ 10 lakhs investment is required in equipment by micro-enterprises.
18.
(c) All of these
Explanation:
Economic causes relate to fluctuations in demand and price or changes in the market condition. There may be a loss because of price fluctuations, trade cycle, severe competition, and unforeseen changes in the techniques of production.
19.
(d) Export Oriented Units
Explanation:
The small scale industry can enjoy the status of an export-oriented unit if it exports more than 50 per cent of its production.



20.

(c) 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.

21. The different modes of entering into the international business are as follows:

- i. **Exporting and importing:** Exporting involves selling goods and services to other countries and importing includes purchasing goods and services from foreign countries.
- ii. **Contract Manufacturing:** Here the firm enters into a contract with the manufacturer(s) in foreign countries to get certain components or products.
- iii. **Licensing and Franchising:** Licensing is a contractual agreement in which one firm grants access to its patents, copyright, etc. to another firm in a foreign country for a fee called royalty. Franchising is an agreement in which one party grants rights to another for use of technology etc. in return of payment.
- iv. **Joint Ventures:** It is the pooling of resources and expertise by two or more businesses to achieve a goal.
- v. **Wholly Owned Subsidiaries:** The parent company acquires full control over foreign country by making 100% investment in equity capital.

OR

Following are the reasons for international business:

- i. **International specialization:** Each country finds it advantageous to produce the goods in which it is specialized at home and procuring the rest through trade with other countries that the other countries can produce at a lower cost due to specialization.
 - ii. **Differences in natural resources and geographical conditions:** Abundance of natural resources and favorable geographical conditions of a country brings a difference in its production pattern as compared to others.
 - iii. **Cost of production:** Differences in production cost gives an advantageous position in the countries producing at low cost than others to export it to other countries and importing the goods for which they have high production cost.
 - iv. **Earning of foreign exchange:** International business helps a country to earn foreign exchange which can be used for payment for imports of capital goods, technology, petroleum, fertilisers, etc.
22. A businessman gets ready to take risk because as a result of taking risk he earns a profit. The more the risk in business, the more is the profit to be earned.

OR

Difference between Pure risk and Speculative risk on the following basis:

Basis of Distinction	Pure risk	Speculative risk
(i) Meaning	Pure risk involves no possibility of gain; either a loss occurs or no loss occurs	Speculative Risk is the risk which involves three possible outcomes: loss, gain or no change
(ii) Possibility of profits/loss	The occurrence of this risk may result in loss only and no gains.	The occurrence of this risk may result in the possibility of both gains as well as loss.
(iii) Risk coverage	Insurance services provide coverage of such risks.	Such risks cannot be covered under insurance provisions.

23.
 - i. Peddlers and hawkers
 - ii. Market traders
 - iii. Street traders (pavement vendors)
 - iv. Cheap jacks

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. The type of retail outlet is described in the above lines is a departmental store.



b. The two merits of a departmental store are as follows:

- (i) Attract a large number of customers since they are typically located in central places.
- (ii) Convenience in buying as a wide variety of products are available under one roof.

The two limitations of a departmental store are as follows:

- (i) High operating cost is incurred in pursuit of offering more services to the customers which are eventually passed on to the consumers in terms of higher prices.
- (ii) High possibility of loss as the scale of operation and operating costs are high.

26. Profit plays an important role in the business because:

- i. **For long-term 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.
- ii. Profit acts as an **Index of performance** and success of the business
- iii. **For rapid growth:** Profit provides a sound financial structure for the growth and expansion of the business.
- iv. **Increases the efficiency of business:** It acts as an incentive, motivating workers to contribute their maximum worth to the enterprise. Profit increases with the increase in efficiency and improved performance of the organization.
- v. **For building reputation and recognition:** If the business earns adequate profits, it will pay fair and competitive wages to its employees, dividends at competitive rates to shareholders, etc. In other words, all the parties can be satisfied. This helps the business to earn a reputation and goodwill in the society.
- vi. Profit is the reward for risk taking.

OR

Hundi is a negotiable instrument. In other words, it is an unconditional order in writing made by a person directing another to pay a certain sum of money to a person named in the order. These are under control of the Negotiable Instrument Act'1881 unless there is a local usage to the contrary. The different types of Hundi used by traders in ancient times are:

- i. **ShahJog Hundi:** It is drawn by one merchant on another, asking the latter to pay the amount to a third merchant. In this case, the merchant on whom the hundi is drawn has a certain level of 'creditworthiness' in the market. A ShahJog hundi passes from one hand to another till it reaches the final recipient who, after reasonable inquiries, presents it to the drawee for acceptance of the payment.
 - ii. **DhaniJog Hundi:** Dhani in local terms means owner. Such a hundi is like any other bearer instrument and is payable to the owner or a holder or bearer-owner.
 - iii. **FirmanJog Hundi:** This hundi is made payable to the order of payee. It is just opposite of DhaniJog hundi which is payable to the bearer only.
 - iv. **Darshani Hundi:** It is similar to a demand bill and is payable on sight. It needs to be presented for payment within a reasonable time after its receipt by the holder. If the drawer faces any loss due to delay in presentation, the holder shall be responsible for it.
 - v. **Jokhmi Hundi:** Unlike any other hundi a Jokhmi hundi is not negotiable and conditional in nature as the drawer promises to pay the amount of the hundi only on the satisfaction of a certain condition.
 - vi. **NamJog hundi:** Such a hundi cannot be endorsed in favor of any other person and is payable only to the person whose name is mentioned in the Hundi.
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 Government of India had introduced four major reforms in the public sector in its new industrial policy in 1991.

- i. The main elements of the Government policy are as follows:
- ii. Restructure and revive potentially viable PSUs.
- iii. Close down PSUs, which cannot be revived.
- iv. Bring down governments equity in all non-strategic PSUs to 26 percent or lower, if necessary; and
- v. Fully protect the interest of workers.

Some of the key decisions made by the government to improve public corporations were:-

- i. Reduction in the number of industries reserved for the public sector from 17 to 8 (and then to 3): This meant that the private sector could enter all areas (except 3) and the public sector would have to compete with them.
- ii. Disinvestment of shares of a select set of public sector enterprises: Disinvestment involves the sale of the equity shares to the private sector and the public. The objective was to raise resources and encourage wider participation of the general public and workers in the ownership of these enterprises. The government had taken a decision to withdraw from the industrial sector and reduce its equity in all undertakings.
- iii. Policy regarding sick units to be the same as that for the private sector: All public sector units were referred to the Board of Industrial and Financial Reconstruction to decide whether a sick unit was to be restructured or closed down.

OR

Some merits of departmental undertakings are as follows:

- i. **Effective control of Parliament:** These undertakings ensure effective control over their operations by the Parliament. Annual reports of the undertakings are laid on the table of both the houses of the Parliament.
- ii. **Public accountability:** These undertakings are established for some specific work of the ministry. Sometimes the government reviews the working of these undertakings through government audit. Hence, they provide a high degree of public accountability.
- iii. **Revenue is a source of income for government:** Whatever revenue is earned by these enterprises is deposited directly into the government treasury. Hence, their revenue is an important source of income for the government.
- iv. **National security:** These enterprises work under the direct control and supervision of the concerned ministry. Hence, there is no danger to national security.

29. a. The two kinds of social responsibilities being fulfilled by Taste Buds Ltd. are as follows:

- i. **Economic responsibility:** It is the primary responsibility of a business enterprise and relates to the production of goods and services that are as per the needs and wants of the society and selling them at a profit.
- ii. **Discretionary responsibility:** It refers to the various obligations that business assumes purely on a voluntary basis for common good.

b. The two values which are being pursued by Taste Buds Ltd. are:

- i. Humanity
- ii. Concern for children.

30. i. **Bootstrapping:** Commonly known as self-financing, it is considered as the first funding option because by stretching out your personal savings and resources, you are tied to your business. Also, at a later stage, investors consider it as your merit. However, it is a good option for funding only if the initial requirement is small and handy.

ii. **Crowdfunding:** It is the pooling of resources by a group of people for a common goal. Crowdfunding is not new to India. There are many instances of organisations reaching out to common people for funding. However, the emergence of platforms that promote crowdfunding is fairly recent to India. These platforms help startups or small businesses to meet their funding requirements.

31. a. The two benefits available to the business firms engaged in leather export are as follows:

- i. Prospects for higher profits for the business firms as they get an opportunity to sell their products in countries where prices are high.
- ii. Increased capacity utilization may help the business firms to take advantage of economies of scale, which leads to a reduction in the production cost and increases per-unit profit margin.

b. The two ways in which different countries engaged in international trade of leather goods stand to gain are as follows:

- i. Improving growth prospects and employment potentials as the scope of production activities increase.
- ii. Increased standard of living as it provides access to the products with better technology from other countries.

32. A partnership is considered as an unpopular form of business owners because of the following reasons:



- i. **Uncertainty of duration-** A partnership suffers from a possible limited span of life. Legally, a partnership firm must be dissolved on the retirement, death, bankruptcy of any partner or demanded by any partner.
- ii. **Risks of additional liability-** Each partner has unlimited liability but his liability may arise not only from his own acts but also from the acts of co-partners.
- iii. **Lack of harmony-** Harmony may be difficult to achieve, especially when there are many partners.
- iv. **Difficulty in withdrawing investment-** Investment can be simple but its withdrawal may be difficult because no partner can withdraw his interest without the consent of all partners.
- v. **Lack of public confidence-** There is no legal mechanism to enforce the registration of a partnership firm and the disclosure of its affairs.
- vi. **Limited resources-** A partnership is good as it can be started with limited capital. However, it becomes a handicap in the growth and expansion phases of business.

Merits of Partnership:

- i. **Ease of Formation and Closure:** A partnership firm can be easily formed and dissolved. No formal documents are required to be prepared as required in the case of joint-stock companies.
- ii. **More Funds:** In a partnership firm, capital is contributed by a number of partners. As a result, the business has got large resources as compared to a sole proprietorship and the firm can undertake additional operations when needed.
- iii. **Flexible:** The business is, abundantly mobile, flexible, and elastic being free from the legal restrictions on its activities. The partners can introduce any change they consider desirable to meet the changed circumstances.

Limitations of Partnership:

- i. **Unlimited liability:** All the partners are responsible for the debts of the firm and if the business goes bankrupt, all the partners will have to clear the debts even if they have to sell off their personal belongings.
- ii. **A loss to the Society:** The abrupt closure of the firm is a loss not to the firm but also to the society as a whole because the society is deprived of its products and some workers become out of job.
- iii. **Restriction on Transfer of Interest:** In partnership, no partner can transfer his interest to the third party. If he wants to do so, he will have to seek the consent of all the other partners.

OR

Following advantages are offered by the cooperative society:-

- i. **Easy formation:** A co-operative society can be started with minimum of 10 members. The registration procedure is simple as it involves only a few legal formalities.
- ii. **Stable existence:** Co-operative society enjoys a separate legal entity from its members, Death, insanity, retirement, and insolvency of any member do not affect continuity of co-operative society.
- iii. **Support from Government:** The co-operative society exemplifies the idea of democracy by promoting the value of welfare, hence finds support from the government in the form of loans at a low-interest rate, low taxes, subsidies, etc.

Three disadvantages/demerits of co-operative society are as follows:

- i. **Limited Resources:** A co-operative society is formed usually by people with limited means. The lower rate of dividends offered on investment discourages members to invest large amounts in the cooperative society.
 - ii. **Lack of skilled management:** The members of the elected management committee may not have specialized professional skills and experience to run the business efficiently. Due to limited funds, co-operative societies are not able to attract, employ & retain managers or professionals.
 - iii. **Lack of secrecy:** There is no secrecy in this form of organization because all the affairs of the society are openly discussed in the meetings of the society.
33. a. i. **Industrial Finance Corporation of India (IFCI):** It was established as a statutory corporation under the Industrial Finance Corporation Act, 1948 in July 1948. Its objectives include providing assistance to foster balanced regional development and encouraging new entrepreneurs to enter into the priority sectors of the economy. It has also contributed to the development of management education in the country.
- ii. **Industrial Credit and Investment Corporation of India (ICICI):** Industrial Credit and Investment Corporation of India was set up in the year 1955 as a public limited company under the Companies Act. ICICI assists exclusively in the private sector towards the creation, expansion, and modernization of industrial enterprises. It has also promoted the participation of foreign capital in the country.
- b. The two merits of raising loans from financial institutions are as follows:
- i. Procurement of loan from financial institutions enhances the goodwill of the borrowing company in the capital market.
 - ii. A loan from these institutions does not create much of a burden on the enterprise as it can be repaid in easy installments.



c. The two values that Rakesh wants to communicate to the society are:

- i. Environment sustainability
- ii. Responsibility

34. The services offered by e-banking are as follows:

- i. **ATM (Automated Teller Machine):** It is a self-service terminal which can be operated at any time i.e. 24 hours a day. To use an ATM, a client has to insert a plastic card in the machine and enter his identification code. If the code is appropriate, the machine would respond by providing cash, accepting deposits, etc.
- ii. **Debit card:** Debit card facility is offered to the account holders to make payment up to the amount of credit balance available in their account. It is generally located in sales terminals (shop/store) which are tied up electronically to the bank computer. When the customer presents the debit card, the amount is automatically transferred from the customer's bank account to the seller's account.
- iii. **Credit card:** It refers to a card that permits overdraft facility to the clients depending upon their creditworthiness. Through this, the customer can purchase products by presenting the credit card. It is an important type of support service provided by the banks.
- iv. **Online payment:** It also offers the facility of making online payment of bills, taxes, etc.
- v. **Electronic fund transfer (EFT) :** Under this system, the fund is transferred from one account to another account. It saves time as funds can be transferred at anytime.

OR

The term commercial bank refers to a financial institution that accepts deposits, offers checking account services, makes various loans and offer other financial products like certificate of deposit etc. Banks make money from service charges and fees. Banks also earn money from interest they earn by lending out the money as loans to other clients. The main functions of commercial banks are described below:

- i. **Collection of deposits:** One of the basic and primary functions of commercial banks is that they accept deposits from their clients. The depositors can withdraw money from their accounts in the form of cash or through cheques and drafts.
- ii. **Granting loans:** Banks grant loans to industry, trade, and commerce. The banks lend the money which they get in the form of deposits. The funds lent out by banks help in the development of trade and industry.
- iii. **Collection of cheques and bills:** Banks collect the cheques for their customers drawn on other banks. To collect cheques, banks have clearing houses. In the case of local houses, the banks take no extra charges. For collecting outstation cheques, banks charge a commission. Banks also accept bills of exchange and encash those by charging a commission called discount before the maturity date.
- iv. **Agency functions:** Banks pay the insurance premium on behalf of their clients. They also collect dividends, premiums, interest, pension, etc. on behalf of customers and credit the same in their accounts.
- 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.

