

# Class XI Session 2025-26

## Subject - Business Studies

### Sample Question Paper - 6

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 incorrect regarding the types of manufacturing enterprises? [1]

- |                                                                                                                                   |                                                                                                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|
| a) In a Microenterprise investment in plant and machinery does not exceed twenty-five lakh rupees.                                | b) In a Small enterprise investment in plant and machinery is more than twenty-five lakh rupees does exceed five crore rupees.          |
| c) In a medium enterprise investment in plant and machinery is more than five crore rupees but does not exceed ten crores rupees. | d) In a Small enterprise investment in plant and machinery is more than twenty-five lakh rupees but does not exceed three crore rupees. |

2. The fundamental reason behind international business is that the countries cannot produce equally well or cheaply all that they need. This is because of the unequal distribution of natural resources among them or differences in their productivity levels. Availability of various factors of production such as labour, capital and raw materials that are required for producing different goods and services differ among nations. [1]

The main reason behind international business is:

- A. India is a poor country
- B. India is a fully developed country
- C. All Countries are interested in setting up businesses in India
- D. Countries cannot produce equally well or cheaply all that they need

- |           |           |
|-----------|-----------|
| a) Only A | b) Only C |
| c) Only D | d) Only B |

3. **Assertion (A):** Departmental Undertaking is a source of government revenue. [1]

**Reason (R):** Profit earned by them directly goes to the government treasury.

- |                                               |                                           |
|-----------------------------------------------|-------------------------------------------|
| a) Both A and R are true and R is the correct | b) Both A and R are true but R is not the |
|-----------------------------------------------|-------------------------------------------|



- explanation of A. 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. When does SFURTI was set up by the Central Government of India? [1]
- a) 2004 b) 2003
- c) 2002 d) 2005
6. It is not an application of e-business: [1]
- a) Online bidding b) Contract R&D
- c) Online trading d) Online procurement
7. Preliminary Contracts are: [1]
- a) not binding on the company b) binding on the company
- c) binding on the promoters d) binding on the guarantor
8. **Assertion (A):** The size of a sole proprietorship business rarely grows much and generally remains small. [1]  
**Reason (R):** A sole trader is also not bound by law to publish a firm's accounts.
- 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. RSBDC (The Rural Small Business Development Centre) was sponsored by which organization? [1]
- a) SFURTI b) NABARD
- c) RWED d) DIC
10. An agent is appointed by the \_\_\_\_\_. [1]
- a) wholesaler b) manufacturer
- c) retailer d) principal
11. Which of the following statements is true regarding preference shares? [1]
- A. Preference shares provide an unsteady income in the form of a flexible rate of return.
- B. Preference shares are preferably for investors with a high-risk appetite.
- C. Preference shareholders have voting rights.
- D. Preference shareholders enjoy a preferential position over equity shareholders.
- a) Only B is true b) Only A is true
- c) Only C is true d) Only D is true
12. The main objective of selling goods through consumer cooperative stores is to reduce the cost of the product by [1]  
reducing the number of \_\_\_\_\_.



i. Sight and usance drafts.

- ii. Bill of lading and airway bill.
- iii. Pre-shipment and post-shipment finance.

22. Earning of profit cannot be the objective of business any more than eating is the objective of living. Do you agree with this statement? Give reasons to support your answer. [3]

OR

Mohit sells his PlayStation to his friend at a profit of Rs. 2,000. Will it be considered as a business? State the feature of business which is being highlighted in the given example.

23. How does the wholesaler help the retailer in availing of the benefit of advertising? [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. Bindu and Rekha started a business in their own city. Both of them wanted to know the expectations the people, in general, had from them. To know this, they made a survey. In the survey about 150 such people were included who could be their possible customers. From the survey they came to know that mainly people wanted that, they should control the fluctuations in the market and they should simplify the availability of goods. [4]

- What sort of business in your view is being done by Bindu and Rekha-Wholesale trade or retail trade?
- Also, explain how from your answer the expectations of the people will be fulfilled.

26. Risk is an inherent element of a business. Do you agree? [4]

OR

Distinguish between business and profession on the basis of:

- i. Qualification
- ii. Mode of the establishment
- iii. Return
- iv. Risk
- v. Code of Conduct.

27. Harsh runs an online store dealing in all kinds of household items which he procures from different dealers. Whereas his friend Lakshay runs an online store which sells all kinds of organic products like spices, pickles, jams, etc. These products are produced in his automated manufacturing unit in Kerala. In the context of the above case answer the following: [4]

- a. Identify the two concepts which define the scope of business activities undertaken by both Harsh and Lakshay, respectively.
- b. Differentiate between the two concepts as identified in part(a) of the question.

28. List the names of some enterprises under the public sector and classify them. [4]

OR

State four features of MNCs.

29. Taste Buds Ltd. is a well-reputed chain of taking away restaurants in Delhi. The company's earnings are high as [4]



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.

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. Why is there a scope for SSI in developing countries like India? [4]
31. A group of individuals have come together with the goal of starting an Export House. With a strong vision to expand their business internationally, they recognize the need for substantial long-term capital to support their operations. The capital will be used for sourcing products, establishing supply chains, securing international trade licenses, and setting up the necessary infrastructure to meet global demand. Understanding the scale of investment required, they plan to approach financial institutions and investors to raise the necessary funds. Their goal is to build a successful export business that can compete in the global market. [6]
- i. Which business organisation will be suitable for them and why? Give any three reasons.
  - ii. Which different sources are possible for long-term capital?
  - iii. Which documents to be used in Export Business will be needed? Make a list of any five of them.
32. What do you understand by a sole proprietorship firm? Explain its merits and limitations. [6]

OR

Discuss the various steps involved in the incorporation of the Company.

33. Prachi Construction Ltd. does the construction work of buildings, roads and bridges. The company has been earning good profits for the last many years. The company expanded its business, for which it needed additional capital. The company's Financial Manager, Mr. Lokesh Yadav decided to issue Debentures in order to arrange funds. The main reason for choosing this source was that the profit being earned on it was such as was not available on Equity Shares and preference shares. The company was running a number of construction works. One of the buildings was near completion when the sudden tremors of the earthquake reduced it to a pile of rubble. The company suffered a great loss. This company has outsourced its advertising job to another company. The company is very considerate towards its employees and gives them every possible facility. [6]
- Throw light upon the following points related to the above company:
- i. Which class of industries does this company belong to?
  - ii. Which particular profit was the company earning by issuing Debentures?
  - iii. Which particular cause of business risk is the occurrence of an Earthquake?
  - iv. To which emerging source of business do you associate the getting of the Advertising service from outside?
  - v. Which of its social responsibilities is being observed/discharged by the company very well?

34. Discuss the various principles of insurance. [6]

OR

An Employer wants to get himself insured against the loss likely to be suffered on account of the fraud, dishonesty and embezzlement of his employees. State the type of Insurance which the employer will have to get done. What do you know about this type of Insurance?



# Solution

1.  
**(d)** In a Small enterprise investment in plant and machinery is more than twenty-five lakh rupees but does not exceed three crore rupees.  
**Explanation:**  
In a Small enterprise investment in plant and machinery can be more than twenty-five lakh rupees but does not exceed five crore rupees.
2.  
**(c)** Only D  
**Explanation:**  
The reason for international trade is that there are some countries which cannot produce equally well or cheaply all that they need.
3. **(a)** Both A and R are true and R is the correct explanation of A.  
**Explanation:**  
Profit earned by the Departmental Undertakings directly goes to the government treasury therefore it's a source of revenue.
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. **(d)** 2005  
**Explanation:**  
In the year 2005 SFURTI was launched to look for setting up of multi-product cluster by Central Government.
6. **(b)** Contract R&D  
**Explanation:**  
Contract R&D is an outsourcing activity not cover under e-business
7. **(a)** not binding on the company  
**Explanation:**  
Preliminary contracts are contracts entered into by the promoters on behalf of the company before its incorporation with third parties. Such contracts are legally not binding upon the company even after it comes into existence.
8. **(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.
9. **(b)** NABARD  
**Explanation:**  
RSBDC was sponsored by NABARD for micro, small and medium businesses.



10. **(d) principal**  
**Explanation:**  
The principal-agent relationship is an arrangement in which one entity legally appoints another to act on its behalf.
11. **(d) Only D is true**  
**Explanation:**  
Preference shares are the shares that carry preferential rights on the matters of payment of dividend and repayment of capital.
12. **(a) Middlemen**  
**Explanation:**  
Since the Middlemen are eliminated, the members get products of good quality at cheaper rates
13. **(d) sleeping partner**  
**Explanation:**  
A sleeping partner may not contribute to business decision making but is bound by acts of all other partners. He has unlimited liability in the business.
14. **(c) Large storage facilities to store the materials**  
**Explanation:**  
Large storage facilities to store the materials. Since due to a shortage of funds no bulk quantity is purchased and no need to store.
15. **(b) 2%**  
**Explanation:**  
As per the Companies Act 2013, the company will set aside an amount equal to 2% of its average net profits made during the three immediate preceding financial years for CSR activities.
16. **(b) Services can be stored for future use**  
**Explanation:**  
Services cannot be stored for sale in the future.
17. **(c) tax holiday**  
**Explanation:**  
Exemption from paying taxes for 5 to 10 years is known as Tax Holiday.
18. **(a) auxiliaries to trade**  
**Explanation:**  
Auxiliaries to trade or aids to trade also provide the necessary support to trade. Such as transport, warehousing, banking and finance, and insurance.
19. **(c) All of these**  
**Explanation:**  
The problems of traditional small scale units include a remote location with less developed infrastructural facilities, lack of managerial talent, poor quality, traditional technology, and inadequate availability of finance.



20.

(d) mixed economy

**Explanation:**

The Indian economy consists of both privately owned and government-owned business enterprises, it is known as a mixed economy.

21. Bill of lading is the document where in the shipping company gives its official receipt of the goods put on board its vessel and at the same time gives the undertaking to carry them to the port of destination. It is also a document of title of the goods and as such is freely transferable by the endorsement and delivery.

Bill of entry contains information such as name and address of the importer, name of the ship, number of packages, marks on the package, description of goods, etc. It is issued by the customs presenting the total assigned value and the corresponding duty charged on the cargo.

Bill of lading is a proof that you are the owner of Goods. Bill of Entry is made for clearing the goods from custom station.

OR

i. **Sight and usance drafts:** In the case of sight draft, the drawer instructs the bank to hand-over the relevant documents to the importer only against payment. But in case of usance drafts, the drawer instructs the bank to hand over the relevant documents to the importer against acceptance of the bill of exchange for making payment at the end of specific period.

ii. **Bill of lading and airway bill:** Bill of lading is a document prepared and signed by the master of the ship acknowledging the receipt of goods on board. It contains terms and conditions on which the goods are to be taken to the port of destination. On the other hand, an airway bill is a document wherein an airline/shipping company gives its official receipt of the goods on board its aircraft and at the same time, gives an undertaking to carry them to the port of destination. It is also a document of title to the goods and as such is freely transferable by the endorsement and delivery.

iii. **Pre-shipment and post-shipment finance:** Under pre-shipment finance, finance is provided to an exporter for the purchase of raw material, processing, manufacturing, or packing of goods to the port of shipment purposes. On the other hand, under post-shipment finance, finance is provided to the exporter from the date of shipment of goods to the date of realization of export proceeds.

22. Yes, I agree with this statement. Just as eating is essential for the survival of any human being, the same way profit is essential and must for the survival of any business. But a person cannot survive for a long time and cannot lead a healthy life only by eating. A person has to perform other activities as well, such as social activities, religious activities, and patriotic activities. Similarly, a business with the sole objective of earning a profit cannot survive in long run. To capture a big share in the market and to create goodwill, businessmen must have social, individual, national and international objectives along with the economic objective of earning profit.

OR

No, selling of phone by Mohit is a single time transaction and it is nowhere given that he has the intention to continue this as a business activity so, it will not be considered as a business activity. To be a business activity, dealing with goods must be on a regular and recurring basis. The feature highlighted in the given example is 'Dealing in goods and services on a Regular Basis'.

23. The whole salers perform various marketing functions and provide support to the retailers. They undertake advertising and other sales promotional activities to induce customers to purchase the goods. The retailers are benefitted as it helps them in increasing the demand for various new products.

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. Both the expectations of the people can be fulfilled only by a wholesale trader. Therefore, it is clear that Bindu and Rekha are doing wholesale trade. A wholesale trader can do both the desired services in the following manner:

i. **Control on Market Fluctuations:** A wholesaler controls huge fluctuations in the market by stocking goods. Therefore, the prices remain under control. This directly benefits consumers.

ii. **Easy Availability of Goods:** The presence of the wholesaler makes it easy for a retailer to get the goods according to the taste of the consumers at any time. Consequently, all things are readily available to consumers. In the absence of the wholesaler, the retailers cannot perform this job easily.

26. Yes, I agree that risk is an inherent element of business.

Reasons:-

i. Dynamic environment.





- ii. Out of fashion of products.
- iii. Natural disasters.
- iv. Government policies.
- v. Change in technology.
- vi. External factors like competitors
- vii. Quarrel among employees.
- viii. Economic changes like (boom and depression)
- ix. Customer behaviour and attitude.
- x. Theft by internal or external parties.

OR

BASIC	BUSINESS	PROFESSION
<b>Qualification</b>	No minimum qualification is necessary	Qualifications, expertise and training in specific field as prescribed by the professional body is a must
<b>Mode of the establishment</b>	Entrepreneur's decision and other legal formalities, if necessary	Membership of a professional body and certificate of practice
<b>Return</b>	Profit earned	Professional fee
<b>Risk</b>	Profits are uncertain and irregular; risk is present	Fee is generally regular and certain; some risk
<b>Code of Conduct.</b>	No code of conduct is prescribed	Professional code of conduct is to be followed

27. a. Harsh is engaged in e-commerce as the scope of his business is restricted to only trading, whereas Lakshay is engaged in e-business as he is involved in both production and distribution of organic food products.
- b. The difference between e-business and e-commerce is outlined below:

S. No.	Basis	e-Business	e-Commerce
1.	Meaning	The process of carrying out business activities related to both production and distribution of goods electronically is known as e-business.	The process of carrying out buying and selling goods and services electronically is known as e-commerce.
2.	Scope	It has a wider scope as it includes e-commerce.	It has a narrow scope as it is a part of e-business.
3.	Requirement	It may involve the use of the internet, intranet or extranet.	It is conducted through the internet.
4.	Orientation	e-business includes both internal as well as the external process of a business.	e-commerce activities are confined to only externally oriented processes that involve interactions with customers, suppliers, distributors, etc.

28. For the control and management of the day-to-day business of public sector enterprises, they can be classified into three categories which are as follows:

- Departmental Undertaking:** This is the oldest form of public sector enterprise. It is managed by government officials as one of the government departments. In India, railways and post and telegraph are working as government departments. Similarly, strategic industries like defence and atomic power also work as departmental undertaking.
- Statutory Corporation:** It is a corporate body with a separate legal existence, set up under a special Act of parliament or of the state legislature. In India, Reserve Bank of India (RBI), Food Corporation of India (FCI), Life Insurance Corporation (LIC) and Air India are some important examples of statutory corporations.
- Government Company:** According to Section 2(45) of the Companies Act, 2013, a government company means any company in which not less than 51 per cent of the paid-up capital is held by the central government or by the state government or partly by central government and partly by one or more state governments and includes a company which is a subsidiary of a government company. In India, Steel Authority of India Ltd. (SAIL), Bharat Heavy Electricals Ltd. (BHEL) and Bharat Earth Movers Ltd. (BEML) are the leading examples of government companies.



OR

Four features of MNC's are as follows:

- i. **Huge capital resources:** These enterprises are characterised by possessing huge financial resources and the ability to raise funds from different sources.
  - 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.
  - iii. **Advanced technology:** These enterprises possess technological superiorities in their methods of production. They are able to conform to international standards and quality specifications.
  - iv. **Product innovation:** These enterprises are characterised by having highly sophisticated research and development departments engaged in the task of developing new products and superior designs of existing products.
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. Developing countries face the problem of massive unemployment, shortage of finance, unutilized idle resources, regional disparities, lack of industrialization, dependence on agriculture for livelihood, etc. SSIs prefer techniques of production that require less capital and more labor, use simple technology, can be widely spread without locational constraints, depend on locally available resources, can broaden the industrial base thus addressing the major problems of developing countries. SSI's have been given an important place in the framework of Indian planning since beginning both for economic and ideological reasons. Thus, SSI has immense scope in developing countries.
31. i. **Company Organisation will be suitable for them, because of its following advantages:**
- a. **Huge Financial Resources:** In comparison with the other forms of business organisations the popularity of company organisation is because of the availability of sufficient financial resources. In order to attract different types of investors and keeping their interests in mind, different types of securities, like-equity shares, preference shares, debentures etc. can be issued.
  - b. **Efficient Management:** Company can utilise the services of experts because of the availability of financial resources in abundance and the continuity of business. Efficient and experienced managers can play an important role in making the business successful by making use of modern managerial techniques.
  - c. **Scope for Growth and Expansion:** There is every possibility of growth and expansion in the company business because of sufficient capital, sufficient management capability and limited liabilities.
- ii. **Sources of Long-term Finance are:**
- a. Equity Shares
  - b. Preference Shares
  - c. Debentures
  - d. Ploughing Back of Profits/Retained Earnings
  - e. Specialised financial Institutions
- iii. **The following are the main documents to be used in Export Business:**
- a. Indent
  - b. Letter of Credit - L/C
  - c. Export Licence
  - d. Railway Receipt -R/R
  - e. Shipping Order
32. Sole proprietorship refers to a 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. This single individual has to supply capital owned or borrowed to the business. This form of organisation is also known as 'Sole Trader', 'Individual Proprietorship' or 'Individual Entrepreneurship'.
- Benefits of Sole Proprietorship:



- i. **Ease of formation and dissolution:** The sole proprietorship is the simplest form of business ownership. No legal formalities required for starting such firm.
- ii. **Quick decision making:** A sole proprietor enjoys a considerable degree of freedom in making business decisions.
- iii. **Confidentiality of information:** Sole decision-making authority enables the proprietor to keep all the information related to business operations confidential and maintain secrecy. A sole trader is also not bound by law to publish the firm's accounts.
- iv. **Direct Incentive:** A sole proprietor enjoys all the profits of the business as there is no one else to share earnings of the business.
- v. **Sense of accomplishment:** Sole proprietorship provides personal satisfaction to people who want to be self-employed. As the proprietor is himself responsible for the success of the business, it not only provides him satisfaction but also creates a sense of accomplishment and confidence.

#### Limitations of Sole Proprietorship:

- i. **Limited resources:** Resources of a sole proprietor are limited to his/her personal savings and borrowings from others. He doesn't have enough security to acquire big loan.
- ii. **Limited life of a business concern:** In the eyes of law, the proprietor and the owner are considered one and the same. Death, insolvency or illness of a proprietor affects the business and can lead to its closure. In most cases, the business collapses when the owner dies.
- iii. **Unlimited liability:** A major disadvantage of the sole proprietorship is that the owner has unlimited liability. If the business fails, the creditors can recover their dues not only from the business assets but also from the personal assets of the proprietor.
- iv. **Limited managerial liability:** The owner has to assume the responsibility of varied managerial tasks, such as purchasing, selling, financing etc. It is rare to find an individual who excels in all these areas.

OR

A company being an artificial entity comes into existence only after its registration with the Registrar of Companies. A number of formalities have to be completed before a request is made to the Registrar for its registration. A legal process has to be completed before a company obtains a separate legal entity. After ensuring that all necessary documents are filed, the Registrar of Companies issues a Certificate of Incorporation. With this Certificate, the company becomes a separate legal entity.

#### Steps for Incorporating a Company:

Before getting a company registered, a number of steps have to be taken up:

- i. **Application for approval of name:** The first step in getting a company incorporated is of obtaining the approval of the name from the Registrar of Companies. A company may adopt any name which is not prohibited under the Emblems and Names (Prevention of Improper Use) Act, 1950 and which is not identical with or does not closely resemble the name of a company already registered. The applicant should give a panel of three names in order to avoid delay. The application for the approval of name should be sent to the Registrar of Companies of the state, in which, the Company is to be situated. The Registrar is expected to approve the name within 14 days of the receipt of the application. The proposed name must be registered within 3 months from the date of intimation by the Registrar, failing which, the promoter will have to apply again to the Registrar for the revalidation of the approval.
- ii. **Preparation of Memorandum of Association:** The preparation of Memorandum of Association is the next step in the incorporation of a company. It is the constitution of the company, which describes its objects and scope and the relation with the outside world. The memorandum is to be signed by at least seven persons if it is a public limited company and at least two persons in case of a private limited company. The memorandum should also be properly stamped.
- iii. **Preparation of Articles of Association:** Besides memorandum, the promoters will also prepare Articles of Association. It is a document that contains rules and regulations relating to the internal management of the company. A public limited company may not file its own Articles of Association, it may adopt model clauses prescribed in Table A, Schedule 1 of the Act. A private limited company is also required to submit its Articles duly signed by the signatories.

#### iv. Preparation of other documents:

The promoters are also expected to prepare the following documents at the time of incorporating the company:

- a. The consent of directors is acquired first and filed with the Registrar of Companies.
- b. The promoters should execute a Power of Attorney in favour of one of them or an advocate who is to carry out the formalities required for registration.
- c. Copies of preliminary agreements, memorandum and Articles of Association must also be prepared and filed at the time of registration.
- d. The company is required to have a registered office and its information is filed with the Registrar within 30 days of its registration or from the date of commencement of business, whichever is earlier.

- 33. i. This company comes/falls in the category of Constructive Industries of Secondary Industries.



- ii. The company is availing Tax Advantage by issuing Debentures. This Tax Advantage can't be availed on Equity Shares and Preference Shares.
  - iii. The occurrence of an earthquake is a natural cause.
  - iv. Getting Advertising Service from outside is 'Outsourcing of Services'.
  - v. The company is discharging its Social Responsibility towards its employees.
34. The various principles of insurance are as follows:
- i. **Utmost good faith:** It is the duty of the applicant to disclose all the material facts relating to the risk to be covered. A material fact refers to the fact which would influence the mind of a prudent underwriter in deciding whether to accept a risk for insurance and on what terms. In other words, this principle legally obliged parties to act honestly and not mislead or withhold any information from one another.
  - ii. **Indemnity:** The purpose of insurance is to restore the insured person to approximately the same financial position that existed prior to the loss. The losses paid here would be approximately the same and the reason for this is to prevent the insured from profiting from insurance to reduce moral hazards. Indemnity can be defined as the compensation of loss or injury sustained.
  - iii. **Mitigation:** It is the duty of the insured to take reasonable steps to minimize the loss or damage to the insured property. If reasonable care is not taken like any prudent person then the claim from the insurance company may be lost.
  - iv. **Subrogation:** Subrogation refers to the transfer of rights and remedies for the insured to the insurer who has indemnified the insured in respect of the loss. In simple words, when the insurer pays full compensation for any insured loss.
  - v. **Insurable interest:** The person getting an insurance policy must have an insurable interest in the property or life insured. A person is said to have an insurable interest in the property if he is benefited by its existence and prejudiced by its destruction. Without insurable interest, the insurance contract is void.
  - vi. **Contribution:** The principle of contribution allows the insurer the right to call on other insurers liable for the cost to share the claim payment. This clause helps to limit the liability of the insurers.
  - vii. **Proximate cause:** An insurer will only be liable to pay a claim under an insurance contract if the loss which gives rise to the claim was proximately caused by an insured peril. This means that the loss must be directly attributed to an insured peril without any break in the chain of causation.

OR

The employer will have to get the 'Fidelity Insurance to protect himself against such a risk.

**Fidelity Insurance:** Fidelity insurance contract is between an insurance company and some employer. Under this insurance, the insurance company compensates for the loss suffered by the insured employer on account of the fraud, dishonesty, and embezzlement of his employees. It can, therefore, be said that this insurance provides security against the breach of faith by the employees and the subsequent loss caused by such a breach of faith. This insurance is mostly taken where the employees are in charge of the cash and goods of the company. If some employee indulges in fraud, dishonesty, and embezzlement, the loss is compensated by the insurance company.

**Features:** The chief features of fidelity insurance are the following:

- i. **Subject matter:** The subject-matter is tangible in other insurance contracts. In other words, it can be seen or touched e.g. building, goods, ships etc. But the subject matter of the fidelity insurance is intangible. This insurance is got in respect of the fidelity of the employees and fidelity cannot be seen or touched.
- ii. **Service Conditions:** The service conditions of the group of employees or an individual employee for whom the insurance policy is taken cannot be changed without consulting the insurance company.

