

# Class XI Session 2025-26

## Subject - Business Studies

### Sample Question Paper - 7

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. Expand EOUs [1]
  - a) Essential Order Units
  - b) Essential Operating Units
  - c) Export Order Units
  - d) Export Oriented Units
2. Every importer is required to secure the sanction of foreign exchange in order to make the payment. For obtaining such a sanction, to whom the importer has to make an application from among the following: [1]
  - a) DGFT
  - b) Any bank authorized by RBI to issue foreign exchange
  - c) EXIM
  - d) Exchange Control Department of RBI
3. Who heads a Departmental Undertaking? [1]
  - a) Shareholders
  - b) Ministry concerned
  - c) IAS and Civil Servants
  - d) Politicians
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. The government of India used which parameter to explain small industries? [1]
  - a) Investment in plant and machinery
  - b) Power consumed for business activities
  - c) Volume of output
  - d) Number of persons employed in business
6. **Assertion (A):** B2E Commerce has led to effective human resource management. [1]



**Reason (R):** It allows a firm to interact with its employees resorting to personnel recruitment, interviewing and selection, training, development and education.

- 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.

7. Which of the following is an example of Departmental undertakings? [1]

- a) Railway
- b) Post and Telegraph Department
- c) Air India
- d) All of these

8. **Assertion (A):** Producer's cooperative societies help in selling the products of member producers. [1]

**Reason (R):** Producer's cooperative societies increase the bargaining power of the small producers.

- 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 comes under Modern Small Industries? [1]

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

10. Which of the following is the advantage of Mall? [1]

- a) Attract a large number of customers
- b) Convenience in shopping
- c) Wide choice
- d) All of these

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. Fill in the blanks: [1]

Buying and selling of goods and services within the boundaries of a nation are referred to as \_\_\_\_\_.

13. The partnership deed generally includes the following: [1]

- a) All of these
- b) Nature of business
- c) Location of business
- d) Name of firm

14. ISO 9000 is concerned with: [1]

- a) export
- b) import
- c) quality
- d) quantity

15. Business people have the skills to solve: [1]

- a) all economic problems
- b) no social problems



- c) some social problems  
d) all social problems

16. Which of the following statements is incorrect about commercial banks? [1]

a) They accept deposits of money from the public for the purpose of lending or investment  
b) Public sector commercial banks emphasize on profitability than on social objectives  
c) Private sector commercial banks are owned, managed and controlled by private promoters and operate as per market forces  
d) These are governed by Indian Banking Regulation Act, 1949

17. Which of the following is part of Village and Small Industries Sector? [1]

a) Handlooms  
b) All of these  
c) Sericulture  
d) Handicrafts

18. Among which of the following occupations people work for others and get remuneration in return: [1]

a) Business  
b) Employment  
c) Profession  
d) work relationship

19. Under **Village and Small Industries Sector** which of the following accounts for **modern** small industries. [1]

a) Hand looms  
b) Coir  
c) Khadi  
d) Power looms

20. A government company is any company in which the paid-up capital held by the government is not less than [1]

a) 49 percent  
b) 51 percent  
c) 25 percent  
d) 50 percent

21. Explain briefly the process of customs clearance of export goods. [3]

OR

The forwarding Agent of **Paliwal Private Ltd.**, after getting the goods loaded on the ship gets the Mate's Receipt. What will the Forwarding Agent have to do immediately after it? Explain briefly.

22. What do you mean by the **Inconsistency** of services? [3]

OR

What do you mean by Debit Card?

23. What difficulties do you think consumers will face if there are no retail shops? [3]

24. Liver Pharmaceutical Limited was set up about ten years ago in a hilly region. The company's business was to manufacture medicines. This company manufactured medicines related to particularly the diseases of the liver. At the time of setting up the factory, 50,000 'Equity shares of the Face Value of' 100 only were issued. With the setting up of this company, several people in the local area got employment. The medicines manufactured by the company were being supplied all over the country. Now, besides growth in the size of the company, there was also an increase in the capital need of the company. The company was, once again, preparing to seek the help of the public for arranging the capital. In this context, the Top Management held a meeting. In the meeting, it was decided that first of all, from the market survey, it should be ascertained in which particular security the investors are interested to invest their money. The report received after the market survey was that in those days people wanted to have their share in the ownership of the company and also they wanted that they should get their dividend at a fixed rate before the other shareholders. Besides, the investors wanted that after a fixed

OR

OR

period, their money invested by them should be refunded. The company decided to issue the shares in accordance with the report of Market Survey.

- Quoting the relevant line, explain what type of shares was decided by the company to be issued.

25. Mr. Kapil wants to do such a Trading Business in which there is buying and selling of only a few goods. Also, he wants that he should choose such a form of business organisation in which there is no shortage of capital nor managerial inefficiency. [4]

- What form of Internal Trade and Business Organisation would you suggest to Mr. Kapil?

26. Identify and explain the objectives of the business in the following statements: [4]

- Mrs. Suman, the owner of Start Coaching Institute teaches the poor children for free.
- HP comes out with the latest Calling Tablet.
- Employer contributing to NPS (New Pension Scheme) to his employee.

OR

Give any three points of difference between business and employment.

27. Define the terms Business, Profession, and Employment. Classify the following into Business, Profession, and Employment. [4]

- Hari sells mobile phones on behalf of his employer.
- It requires minimum academic and other qualifications.
- A hawker sells toys for children outside a function.
- Sanjay is the advocate of the High Court.
- Dhruv is the manager of a Mobile Company.
- A person repairs scooters on the roadside.

28. Write the types of preference shares. [4]

OR

Equity shares are the best investment avenue for adventurous investors. Justify the statement by giving your views.

29. Give arguments in favour of the social responsibility of business. [4]

30. Arihant has started his own coaching center after retirement. He is very happy doing this business as he can carry out his plans without any interference from others and moreover, there is no separate law that governs his business. [4]

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

- Identify the form of business organization under which Arihant has promoted his business.
- State any two merits of a form of business organization as identified in part(a) of the question which has not been mentioned in the above paragraph.

31. Jitesh, the owner of a diagnostic center, had placed an order for medical equipment from the USA to enhance the services at his center. After waiting for some time, he finally received an intimation about the arrival of the goods in India. Excited about the timely delivery, Jitesh made arrangements for the customs clearance and transportation to ensure the equipment would be delivered without any delay. The arrival of these advanced medical tools would greatly improve the efficiency of his diagnostic services, enabling him to offer better care to his patients and stay competitive in the healthcare industry. [6]

What are the various formalities that he will have to complete before taking the delivery of goods?

32. Discuss the problems faced by small scale industries. [6]

OR



How do small scale industries contribute to the socio-economic development of India? Discuss.

33. State the limitations of departmental undertakings. [6]

34. Why are e-business and outsourcing referred to as the emerging modes of business? Discuss the factors responsible for the growing importance of these trends. [6]

OR

Discuss the limitations of electronic mode of doing business. Are these limitations severe enough to restrict its scope? Give reasons for your answer.



# Solution

1.  
**(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.
2.  
**(b) Any bank authorized by RBI to issue foreign exchange**  
**Explanation:**  
Any bank authorized by RBI to issue a foreign exchange. In India, all foreign exchange transactions are regulated by the Exchange Control Department of the Reserve Bank Of India.
3.  
**(c) IAS and Civil Servants**  
**Explanation:**  
Departmental undertakings are headed by IAS and Civil Servants.
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. **(a) Investment in plant and machinery**  
**Explanation:**  
The parameter used to describe small industries is investment in plant and machinery.
6. **(a) Both A and R are true and R is the correct explanation of A.**  
**Explanation:**  
B2E commerce allows a firm to interact with its employees for recruitment, training, development, thus leading to human resource management.
7.  
**(d) All of these**  
**Explanation:**  
Examples of Departmental undertakings are railways, post & telegraph department, and Air India.
8.  
**(d) A is false but R is true.**  
**Explanation:**  
Marketing cooperative societies are established to help small producers in selling their products. Producer's cooperative societies help in procuring inputs at lower costs by the member producers.
9. **(a) Powerlooms**  
**Explanation:**  
Powerlooms comes under modern small industries.
10.  
**(d) All of these**  
**Explanation:**



With the coming of Malls, the consumers get a wide variety to choose from. The customers get a variety of brands under one roof which makes it convenient for them to shop.

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. 1. internal trade
13. **(a)** All of these  
**Explanation:**  
A Partnership Deed/Agreement is a written or oral document which states the financial and non-financial terms and conditions related to the functioning of the partnership business.
14.  
**(c)** quality  
**Explanation:**  
ISO 9000 is concerned with quality.
15.  
**(c)** some social problems  
**Explanation:**  
Some social problems like the unhealthy working environment, corruption, environmental pollution, etc. have been created by the business. So, Business people have the skills to solve such social problems.
16.  
**(b)** Public sector commercial banks emphasize on profitability than on social objectives  
**Explanation:**  
Public sector commercial banks emphasize on social objectives than on profitability.
17.  
**(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.
18.  
**(b)** Employment  
**Explanation:**  
Employment can be defined as a state of having paid work.
19.  
**(d)** Power looms  
**Explanation:**  
Power looms and small scale industries come under modern small industries.
20.  
**(b)** 51 percent  
**Explanation:**  
51 percent

21. The Central Excise and Salt Act of India and the related rules provide the refund of excise duty paid. The goods must be cleared from the customs before these can be loaded on the ship. For obtaining customs clearance, the exporter prepares a shipping bill. Shipping bill contains particulars of the goods being exported, the name of the vessel, the port at which goods are to be discharged, country of final destination, exporter name and address etc. Five copies of the shipping bill along with the following documents are then submitted to the Customs Appraiser at the customs house:

- i. Export contract or Export order.
- ii. Letter of credit (also known as a documentary credit or bankers commercial credit, or letter of undertaking)
- iii. Commercial invoice (almost same as proforma invoice)
- iv. Certificate of origin
- v. Certificate of inspection, where necessary
- vi. Marine insurance policy

OR

After getting Mate's receipt, the forwarding agent has to go to the office of the shipping company and fill up a form. This form is known as the 'Bill of Lading'. Now he will have to deposit the Bill of Lading and the Mate's Receipt in the office. The Officer of the shipping company will keep the Mate's Receipt with himself and return the Bill of Lading to the Forwarding Agent after putting his signatures.

22. Inconsistency of services means that homogeneous and standardized services can't be provided each time by the service provider. Even if the service provider remains the same, the quality of service may differ from time to time. Services have to be performed exclusively each time according to the different demands and different expectations of various customers.

OR

A debit card is a plastic card issued by a bank to the customers that deduct money directly from a consumer's checking account to pay for a purchase. Debit cards eliminate the need to carry cash or physical checks to make purchases directly from your savings.

23. If there are no retail shop, a consumer will face a number of difficulties which are stated below:

- i. Without a retail shop, a consumer cannot get a continuous supply of commodities. This would result in the distribution of goods.
- ii. It will be difficult to have a wide choice to purchase a variety of goods manufactured by various manufacturers.
- iii. A consumer will miss the personalised services and credit facilities provided by retailers.
- iv. A consumer will miss the after-sale services provided by the retail shops.
- v. No new product information will be easily available to consumers if retail shops are not there.

24. "...People wanted to have their share....dividend at a fixed rate.....".

Preference Shares would be a suitable option as those are the only shares which entitle the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends.

25. I will suggest the following to Mr. Kapil:

**i. Type of Internal Trade:**

He should do Wholesale Trade because it will fulfil both of his expectations; namely:

- a. A wholesale trader does the buying and selling of goods in a large quantity.
- b. He deals in only a few selected/chosen goods.

**ii. Selection of Business Organisation:**

He should set up a partnership organisation, because both the characteristics desired by Kapil are present in it, namely:

- a. **Arrangement of Capital:** In a Partnership Organisation a number of partners pool their financial sources; as a result of this, the capital takes the form of huge size.
- b. **Managerial Capacity:** A Partnership Organisation has persons possessing several qualities, the mixture of which can do the managerial work very efficiently.

26. The objectives of the business in the following statements:

- i. Mrs. Suman, the owner of Start Coaching Institute teaches the poor children for free: social responsibility of business is the objective which states the role of business towards the society for uplifting the poor section along with profit motive.
- ii. HP comes out with the latest Calling Tablet: Objective of providing new and upgraded products to its customers and making a market standing by introducing new technology.
- iii. Employer contributing to NPS (New Pension Scheme) to his employee: Objective of the welfare of its employees. There must be a security of service and job satisfaction and they develop a sense of belonging and dignity of workers towards the organisation.





OR

Business	Employment
Commencement of business depends on entrepreneur's decision and other legal formalities, if necessary.	It commence on getting an appointment letter and entering into service agreement.
It involves providing goods and services to the public.	It involves performing work as per service contract or rules of service.
It does not require any minimum qualification.	It requires qualification and training as prescribed by the employer.

27. Business refers to those economic activities, which are concerned with production, purchase and sale of goods or supply of services with the main object of earning a profit.

Profession includes those activities, which require special knowledge & skill to be applied by individuals in their occupation to earn fees.

Employment refers to the occupation in which people work for others and get remunerated in return, in the form of salary or wages.

- i. Hari sells mobile phones on behalf of his employer - Employment
- ii. It requires minimum academic and other qualifications - Profession
- iii. A hawker sells toys for children outside a function - Business
- iv. Sanjay is the advocate of the High Court - Profession
- v. Dhruv is the manager of a Mobile Company - Employment
- vi. A person repairs scooters on the roadside - Business

28. Preference shares are of following types:

**Convertible and Non-Convertible:** Convertible preference shares are the one that possesses an option or right whereby they can be converted into an ordinary equity share at some agreed terms and conditions. Non-convertible simply does not have this option but has all other normal characteristics of a preference share.

**Redeemable and Irredeemable Preference shares:** A redeemable preference share is a very commonly seen preference share which has a maturity date on which the company will repay the capital amount to the preference shareholders and discontinue the dividend payment thereon. Irredeemable preference shares are a little different from other types of preference shares. It does not have any maturity date which makes this instrument very similar to equity except that the dividend of these shares is fixed and they enjoy priority in payment of both dividends and capital over the equity shares. Since there is an absence of maturity, they are also known as perpetual preference share capital.

**Participating and Non-Participating Preference Shares:** Participating preference shares are a unique type of preference shares which has an additional benefit of participating in profits of the company apart from the fixed dividend. The distribution may depend on the terms and conditions mentioned in the agreement which may vary to some extent from case to case. Other preference shares who do not participate are called non-participating preference shares. Unless it has been mentioned, that preference shares are participating, it is assumed that it is non participating.

**Cumulative and Non-Cumulative Preference Shares:** Non-payment of preference dividend does not amount to bankruptcy but this does not mean that the liability of the company is lost. If the shares are cumulative preference shares, the dividends are accumulated and therefore paid before anything paid to equity shareholders. Even in the event of liquidation, accumulated preference dividend and the preference share capital will be redeemed prior to any payment to equity shareholders. Whereas, for non-cumulative preference shares, if a company does not pay the dividend in the current year, the claim of preference shareholders is lost to that extent. Unless it is specified that preference shares are non-cumulative, it is assumed that it is cumulative in nature.

OR

Following points justify equity investment as the best investment:

- i. **High Income:** The equity share market is an ideal segment of the capital market responsible for the remarkable income of investors. Wealth creation not only works through capital appreciation of such securities but also high dividend earnings received by individuals.
- ii. **Hedge Against Inflation:** Investment in profitable equity shares increases the standard of living of individuals through asset value appreciation. Money invested in equity shares offers manifold returns, higher than the rate of erosion of an individual's purchasing power due to inflation. Thus, the real value of investments tends to rise over time.
- iii. **Portfolio Diversification:** Investors having a low aptitude for risk tend to stick with debt instruments, as it is less volatile. However, stock and bond market fluctuations are inversely related when it comes to aggregate demand. Thus, when the bond



market is underperforming, risk-averse investors can profit from investment in best equity shares through stock market investments.

iv. **Marketability:** The marketability of equity share on the stock exchanges makes them a lucrative source of investment.

29. Argument in favour of social responsibility are as follows:

i. **Justification for existence and growth:** Business exists for providing goods and services to satisfy human needs. Though, profit motive is an important justification for undertaking business activity, it should be looked upon as an outcome of service to the people. In fact, the prosperity and growth of business is possible only through continuous service to society. Thus, assumption of social responsibility by business provides justifications for its existence and growth.

ii. **Long-term interest of the firm:** A firm and its image stands to gain maximum profits in the long run when it has its highest goal as 'service to society'. When increasing number of members of society - including workers, consumers, shareholders, government officials, feel that business enterprise is not serving its best interest, they will tend to withdraw their cooperation to the enterprise concerned.

iii. **Avoidance of government regulation:** From the point of view of a business, government regulations are undesirable because they limit freedom. Therefore, it is believed that businessmen can avoid the problem of government regulations by voluntarily assuming social responsibilities, which helps to reduce the need for new laws.

iv. **Maintenance of society:** The argument here is that laws cannot be passed for all possible circumstances. People who feel that they are not getting their due from the business may resort to anti-social activities, not necessarily governed by law. This may harm the interest of business itself. Therefore, it is desirable that business enterprises should assume social responsibilities.

30. a. The sole proprietorship is the form of business organization in which Arihant has promoted his business.

A sole proprietorship is 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.

b. The two merits of a sole proprietorship form of business organization are:

i. **Confidentiality of information:** Neither is a sole proprietor expected to share his business secrets with anyone nor he is required to publish firms' accounts as per law. This helps to keep important business information confidential and secret.

ii. **Direct incentive:** The driving force to work hard and earn profits is very high in the case of the sole proprietor. This is due to the fact that he is not expected to share the gains of his business with anyone and remains the sole recipient of it.

31. The importer or the C&F agent appointed on his behalf undertake the following steps for getting the customs clearance and release of goods:

i. When the ship arrives at the port, the shipping company either issues a delivery order or makes the endorsement for delivery on the back of the bill of lading in order to authorize the importer to take the delivery of goods.

ii. In case the freight charges have not been paid by the exporter, the importer is expected to clear these dues.

iii. The importer then submits two copies of a duly filled in 'application to import' form to the 'Landing and Shipping Dues Office' for the payment of charges levied by the dock authorities for services provided by them. After payment of dock charges, the importer is given back one copy of the application as a receipt. This receipt is known as 'port trust dues receipt'.

iv. After this, the importer fills in a 'bill of entry' form for assessment of customs import duty. After the documents have been examined by the appraiser an examination order is issued and the importer is expected to pay the import duty.

v. The bill of entry is then presented to the dock superintendent who in turn forwards the goods to an examiner for physical examination. The examiner gives his report on the bill of entry which is later on shown to the port authority.

vi. Finally, the importer or his C&F agent receives the release order after paying the necessary charges to the port authority.

32. Small scale industries do not enjoy much of the advantages enjoyed by large scale enterprises because of their nature and size. They face many problems in their functioning and many small scale industries are sick. The major problems faced by the small scale industries are as follows:

i. **Finance:** Non-availability of adequate funds in order to carry out business operations is one of the major problems. Due to the lack of creditworthiness, many of these units fail to raise funds from the capital market.

ii. **Raw materials:** Obtaining good quality raw material is another important problem faced by these industries. They have to either compromise with the quality or have to pay a high price to get good quality materials.

iii. **Managerial Skills:** Small business is established and managed by a single individual. Hence he/she may not possess all the managerial skills needed to run the business. Due to a shortage of funds, they cannot afford to employ professional managers.

iv. **Labour:** Due to a shortage of funds these enterprises are not in a position to afford high salaries to the employees. Hence, as a result, the productivity per employee is low and the rate of labor turnover is high.

v. **Marketing:** In many small scale units marketing is a weak area. Direct marketing is not feasible for these units since they lack the necessary infrastructure.



- vi. **Sickness:** Many of these units are becoming sick because of various internal and external problems. Lack of talented and skilled labor and managerial and marketing skills are various internal problems while delayed payments, lack of demand for their products, etc. are various external problems faced by these units.

OR

Small scale industries play an important role for the development of Indian economy. It enjoys a distinct position in view of their contribution to the socio-economic development of the country. The following points highlight the contribution to socio-economic development of Indian economy :

- i. Small industries in India account for 95% of the industrial units in the country. They contribute almost 40% of the gross industrial value-added and 45% of the total exports from India. Gems and jewellery, handicrafts, sports goods are some examples of exports from small scale sector.
  - ii. Small industries are the second largest employers of human resources, after agriculture. They generate a number of employment opportunities per unit of capital invested compared to large industries.
  - iii. Small industries in our country supply an enormous variety of products which include mass consumption goods, ready-made garments, hosiery goods, stationary items, soaps and detergents, domestic utensils etc.
  - iv. The contribution of small industries to the balanced regional development of our country is noteworthy. Small industries that produce simple products using simple technologies and depend on locally available resources, both material, and labor, can be set up anywhere in the country.
  - v. Since they can be widely spread without any location constraints, the benefits of industrialization can be reaped by every region. Thus they contribute significantly to the balanced development of the country.
  5. Small industries provide ample opportunities for entrepreneurship.
  - vi. Small industries also enjoy the advantages of a low cost of production. Locally available resources are less expensive. The establishment and running costs of small industries are on the lower side because of low overhead expenses. In fact, the low cost of production which small industries enjoy is their competitive strength.
33. Some of the limitations of departmental undertakings are as follows:-
- i. **Lack of flexibility:** Excessive control and rigid rules of the ministry reduce the flexibility of operations in these undertakings.
  - ii. **Delay in decision making:** These enterprises fail to take prompt decisions because for each and every decision they have to obtain approval from the concerned ministry. Employees and even heads of these enterprises are not allowed to take independent decisions.
  - iii. **Bureaucracy hinders the benefits of business opportunities:** These enterprises are not able to take the full benefits of business opportunities. The bureaucratic and conservative approach of the concerned ministry hinders their initiatives.
  - iv. **Red tapism:** There is red tapism in day-to-day operations and no action can be taken unless it goes through the proper channels of authority,
  - v. **Political interference:** There is a lot of political interference through the ministry.
  - vi. **Consumer needs are ignored:** These enterprises are insensitive to consumer needs and do not provide adequate services to them.

34. e-business, also known as electronic business, is the conduct of business on the internet. Its scope is not only confined to buying and selling of products but also servicing customers and collaborating with business partners.

Benefits of e-business:

- i. **Ease of formation and lower investment requirements:** Unlike a host of procedural requirements for setting up an industry, e-business is relatively easy to start. The benefits of internet technology accrue to big or small businesses alike. In fact, the internet is responsible for the popularity of the phrase 'networked individuals and firms are more efficient than networked individuals'.
- ii. **Convenience:** The Internet offers the convenience of 24 hours, 7 days a week, 365 days a year business that allows shopping well after midnight.
- iii. **Speed:** The Internet has high speed. This benefit becomes all the more attractive in the case of information regarding intensive products.
- iv. **Movement towards a paperless society:** Dependence on paperwork has been considerably reduced through the internet. Many companies and even the government departments and regulatory authorities are going in this direction.
- v. **Global reach:** The Internet has a global reach throughout the world.

Factors responsible for the growth of the importance of outsourcing:

- i. **Confidentiality:** Outsourcing depends on sharing a lot of vital information and knowledge. If the outsourcing partner does not preserve the confidentiality and says, for example, passes it on to the competitors, it can harm the interest of the party that



outsources its processes.

- ii. **Sweat shopping:** As the firms that outsource seek to lower their costs, they try to get the maximum benefit from the low-cost manpower of the host countries.

OR

The following are the few limitations of the electronic mode of business:

- i. **Low personal touch:** High tech it may be, e-business, however, lacks the warmth of interpersonal interactions. To this extent, it is the relatively less suitable mode of business in respect of product categories requiring high personal touch such as garments, toiletries etc.
- ii. **Incongruence between order taking/giving and order fulfilment speed:** Information can flow at the click of a mouse, but the physical delivery of the products takes time. This incongruence may play on the patience of customers.
- iii. **Need for technology capability and competence of parties to e-business:** Apart from the traditional 3R's (reading, writing and arithmetic), e-business requires a fairly high degree of familiarity of the parties with the world of computers.
- iv. **People resistance:** The process of adjustment to new technology and a new way of doing things cause stress and a sense of insecurity. As a result, people may resist an organizations plan of entry into e-business.
- v. **Ethical Fallouts:** Companies use an 'electronic eye' to keep track of the computer files, e-mail account and the websites visited by their employees or others who use their network systems which are not considered right on ethical grounds.
- vi. **Increased risk due to anonymity and non-traceability of parties:-** Interest transactions occur between cyber personalities. As such, it becomes difficult to establish the identity of the parties. Moreover, one doesn't know even the location from where the parties may be operating. It is riskier, therefore, transacting through the internet.

No, the above limitations are not severe enough to restrict its scope because websites are becoming more and more interactive to overcome the problem of 'low touch'. Communication technology is continually evolving to increase the speed and quality of communication through the internet.