

SAMPLE QUESTION PAPER - 4

Business Studies (054)

Class XI (2024-25)

Time Allowed: 3 hours

Maximum Marks: 80

General Instructions:

1. This question paper contains 34 questions.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to the questions carrying 3 marks may be from 50 to 75 words.
5. Answers to the questions carrying 4 marks may be about 150 words.
6. Answers to the questions carrying 6 marks may be about 200 words.
7. Attempt all parts of the questions together.

1. When two or more firms come together to create a new business entity that is legally separate and distinct from its parents it is known as _____. It brings in people with different cultures to work together. It also gives access to better resources like specialized staff and technology. [1]

- | | |
|---------------------------|----------------|
| a) contract manufacturing | b) franchising |
| c) joint ventures | d) licensing |

2. Expand EOUs [1]

- | | |
|------------------------------|--------------------------|
| a) Essential Order Units | b) Export Order Units |
| c) Essential Operating Units | d) Export Oriented Units |

3. Who heads a Departmental Undertaking? [1]

- | | |
|-----------------------|---------------------------|
| a) Shareholders | b) IAS and Civil Servants |
| c) Ministry concerned | d) Politicians |

4. Which of the following is not a feature of Indian Malls? [1]

- | | |
|------------------------|---------------------------|
| a) 24 × 7 shopping | b) Wide Range of products |
| c) Different ownership | d) Large in size |



5. Any industry located in a rural area which produces any goods renders any service [1]
with or without the use of power is known as _____.

b) district industry

d) village industry

6. _____ is very much reality which provides the consumers with the freedom of shopping at-will. [1]

b) B2B commerce

d) B2C commerce

7. Which of the following comes under the public sector? [1]

b) All of these

d) Statutory corporation

8. ISO 9000 is concerned with: [1]

b) quantity

d) import

9. 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.

b) Only C is true

d) Only B is true

10. **Assertion (A):** The principle of ‘one man one vote’ governs the cooperative [1]

society.

Reason (R): Irrespective of the amount of capital contribution by a member, each member is entitled to equal voting rights.

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.

11. Full form of GST is-

[1]

a) Goods and Services Tax

b) Government and State Tax

c) Goods and State Tax

d) Government and Services Tax

12. Identify fixed shop retailers from the following?

[1]

a) Market traders

b) Cheap jacks

c) Speciality shops

d) Pavement vendors

13. Amul, which is a Gujarat based organisation is an example of which form of business organization?

[1]

a) Co-operative Society

b) Joint Stock Company

c) Joint Hindu Family Business

d) Partnership

14. What do you mean by an entrepreneur ?

[1]

a) Job-hunter

b) Job-seeker

c) Job creator

d) Job-applicant

15. Which of the following is a responsibility of a business towards the workers?

[1]

a) Providing opportunities to the workers for meaningful work

b) All of these

c) Right kind of working conditions

d) Fair wages

16. **Assertion(A):** Bank Draft is also called Demand draft.

[1]

Reason(R): They are repayable on demand.

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

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



A.

c) A is true but R is false.

d) A is false but R is true.

17. Which of the following is part of small scale sector? [1]

a) Paper Products and Printing

b) Food Products

c) All of these

d) Cotton Textiles

18. The word marketing standing is concerned with _____. [1]

a) position of an enterprise

b) competitors

c) supply of the product

d) customers

19. Which of the following is incorrect regarding the types of manufacturing enterprises? [1]

a) In a Small enterprise investment in plant and machinery is more than twenty-five lakh rupees does exceed five crore rupees.

b) In a Microenterprise investment in plant and machinery does not exceed twenty-five lakh 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.

20. What is the full form for MOFA? [1]

a) Ministry of Foreign Affairs

b) Ministry of Financial Affairs

c) Majority owned Financial Affairs

d) Majority owned Foreign Affiliates

21. State the importance of the bill of lading. [3]

22. What do you understand by Social Responsibility of business? How is it different from legal responsibility. [3]

OR



An activity can be an economic activity in one situation and non-economic in another situation. Do you agree? Give an example to justify the given statement.

23. Write two features of internal trade. [3]

24. Name any three special financial institutions and state their objectives. [3]

OR

After reading an advertisement in the newspaper about an upcoming public issue of preference shares of a pharmaceutical company, Tushar made up his mind to invest money in that issue. Later on, he discussed his plan with his friend Vikesh who he is a stock broker. Vikesh, on the contrary, advised him to invest in equity instead. Give any three possible reasons because of which Vikesh wants Tushar to invest in equity and not in preference shares.

25. Which products are suitable for the purpose of retailing through mail order business? [4]

OR

What do you mean by itinerant traders. Explain any three types of itinerant traders.

26. Harsh is a well known orthopedic doctor in Agra. He runs his private clinic under the name 'Joint and Bone Clinic'. [4]

In the context of the above case:

- i. Identify the type of economic activity that Harsh is engaged in.
- ii. State any three features of the type of economic activity as identified in part (i) of the question.

OR

Annaya was doing research on the banking sector for her assignment. While browsing through the website of Reserve Bank of India, she came across a specimen of a type of Hundi which is like any other bearer instrument and is payable to the holder or bearer. In the context of the above case answer the following:

- i. What is a Hundi?
- ii. Identify the type of Hundi being described above.
- iii. Describe briefly any two other types of Hundi.

27. Explain any four benefits of e-Commerce. [4]

28. State the various types of organizations in the private sector. [4]
29. Indian Oil Corporation has taken several initiatives like providing clean drinking water, operating child and maternity health centres, construction of school buildings, libraries, and providing financial help to deserving students from poor and needy families through scholarship. [4]
- i. Why do you think IOC needs to take such initiatives?
- ii. Identify two values which are followed by IOC by doing such activities.
30. Do you think small business units can survive in a competitive market? Explain any three factors which make way for the scope of small business enterprises. [4]
31. Identify various organizations that have been set up in the country by the government for promoting country's foreign trade. [6]

OR

When Jayant joined his family business last year, after completing his MBA from a premier institute in India, he had an inheritance to build on. His great grandfather had ventured into the gold jewellery business 80 years ago by opening the first shop in Kolkata's jewellery hub, Bowbazar. Presently his family owns a chain of 40 jewellery stores in different parts of the country, besides exporting to Dubai, Singapore, the US, and the UK.

In the context of the above case:

- a. Identify the two kinds of trade Jayant's family is engaged in on the basis of the area covered.
- b. Differentiate between the two types of trade as identified in part (a) of the question, (any five points)
32. There are various types of cooperative societies, which vary in their nature of activities. Discuss any three such cooperative societies. [6]

OR

Explain the factors to be considered while selecting a form of organization.

33. A Company should have an ideal capital structure striking a balance between the owned funds and the borrowed funds. The finance manager should be efficient enough to do effective financial planning and take all the financial decisions - Investment decision, financing decision, and dividend decision in such a way that the shareholders' wealth is maximized. Excess of owned funds may reduce earnings [6]



per share and excess of borrowed funds may increase financial risks for the company.

i. Enlist the different sources of owned capital and borrowed capital used by a company with the help of a chart.

ii. Give any four differences between the two.

34. Describe various types of insurance and examine the nature of risks protected by each type of insurance. [6]



Solution
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1.
(c) joint ventures
Explanation:
A joint venture is a commercial enterprise undertaken jointly by two or more parties which otherwise retain their distinct identities.
2.
(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.
3.
(b) IAS and Civil Servants
Explanation:
Departmental undertakings are headed by IAS and Civil Servants.
4. (a) 24×7 shopping
Explanation:
Indian Malls does not provide 24×7 Shopping.
5.
(d) village industry
Explanation:
Village Industry has been defined as any industry located in a rural area which produces any goods, renders any service with or without the use of power.
6.
(c) C2B commerce
Explanation:
C2B commerce is very much a reality which provides the consumers with the freedom of shopping-at-will.
7.
(b) All of these
Explanation:
The different types of public sector enterprises are as follows: Departmental undertakings, Statutory corporations, a Government company.
8. (a) quality
Explanation:

ISO 9000 is concerned with quality.

9.

(c) 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.

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

Explanation:

Cooperative Societies follow the principle of "One Man, One Vote" i.e. all members have equal voting rights irrespective of the amount of capital contribution.

11. (a) Goods and Services Tax

Explanation:

The **goods and services tax (GST)** is a tax that is paid on goods and services with all terms and conditions.

12.

(c) Speciality shops

Explanation:

There are many types of **fixed shop retailers**. They are street stallholders, Second-hand goods **shops**, Specialty **shops**; and General **stores**, **second shops**, **single-line stores**, **departmental stores**, **chain stores**, **mail order business**.

13. (a) Co-operative Society

Explanation:

Amul is an example of Co-operative Society

14.

(c) Job creator

Explanation:

An entrepreneur is a Job creator and not a job seeker or hunter.

15.

(b) All of these

Explanation:

Responsibilities towards employees are: to provide fair wages, to provide healthy working conditions, to provide them with opportunities for promotion and development.

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

Explanation:

Since Bank drafts are repayable on demand they are called Demand Draft.

17.

(c) All of these

Explanation:

Food products, cotton textiles, paper products, and printing are part of the small scale sector.

18. (a) position of an enterprise

Explanation:

The percentage of total sales for a product in a particular market that business accounts for is the market standing for that company. The word marketing standing is concerned with the Position of an enterprise.

19.

(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.

20.

(d) Majority owned Foreign Affiliates

Explanation:

The full form of MOFA is Majority owned Foreign Affiliates

21. i. It is a document of title which gives the holder the right to possession of the goods.

ii. It is a very important document as it serves as a receipt issued by a carrier to a shipper.

iii. It is a contract of affreightment comprising the terms and conditions on which the shipping company has agreed to carry the goods to the destination port.

iv. It may be used as collateral security for raising loans.

22. Social Responsibility of business can be defined as activities that a business performs over and above the statutory requirements of the business in order to benefit society and for social welfare. Social responsibility of business is broader than Legal responsibility, as a business can fulfill its legal responsibilities by compliance with law whereas to fulfill social responsibility voluntary efforts are required. Social responsibility is voluntary in nature but legal responsibility is mandatory in nature.

OR

Yes, I agree with the given statement. For example, if a doctor treats his patients at the clinic, then it is an economic activity as the doctor gets fees for that. However, if the doctor treats his son at home, then it is a non-economic activity.

23. Two features of internal trade are as follows:

i. Use of domestic currency at the time of sale and purchase.

ii. Good sold or purchased within the domestic boundary of the country.

24. The three special financial institutions and their objectives are as follows:-



- i. **Industrial Finance Corporation of India (IFCI):** Its objective include promoting balanced regional development and encouraging new entrepreneurs to enter into the priority sectors of the country. It was set up as a statutory corporation in July' 1948.
- ii. **Unit Trust of India (UTI):** It is a statutory public sector investment institution which was set up in February 1964 with the basic objective to mobilize the community's savings and channelise them into productive ventures.
- iii. **Industrial Development Bank of India (IDBI):** It was established in 1964 with an objective to coordinate the activities of other financial institutions, including commercial banks.

OR

The various advantages of investing in equity shares over preference shares are:

- i. The investors who are willing to assume higher risks for higher returns prefer equity shares over preference shares.
 - ii. The equity shareholders enjoy voting rights, whereas no such right is attached to preference shares.
 - iii. The return on equity is more if the profits of the company are high, whereas the return on preference shares is fixed.
25. Only the goods that can be
- i. Graded and standardised,
 - ii. Easily transported at low cost,
 - iii. Have ready demand in the market,
 - iv. Are available in large quantity throughout the year,
 - v. Involve least possible competition in the market,
 - vi. Can be described through pictures etc., are suitable for this type of trading.

OR

Retailers who do not have any fixed place to carry out their business activities are known as itinerant traders. They have to move from one place to another along with their goods in search of consumers.

Three types of itinerant traders are as follows:

- **Peddlers and hawkers:** These are the oldest form of retailers. They deal with non-standardized and low-value goods like fruits, vegetables, ice creams, toys, fabrics, etc., which they carry on a bicycle, hand cart, cycle-rickshaw, or on their head. They are small traders who move from one place to another to sell their products. They found in streets of residential areas, places of exhibition, near schools etc.
- **Market traders:** They are also small traders who sell their goods at different places on fixed days. For example, every Saturday or every Sunday in the 'Saturday market' and 'Sunday market', etc. These traders deal in a single line of goods such as toys,



ready-made garments, fabrics, etc. They deal with low prices, low-quality goods.

Hence, they cater to the needs of the lower-income group.

- **Street traders:** They are also known as pavement traders. These retailers can be seen in areas having a high population like bus stands, railway stations, etc. They deal in common use products, like newspapers, magazines, toys, stationery items, etc. They do not change their place of business frequently.

26. i. Harsh is engaged in a Profession economic activity.

ii. The three features of the Profession are:

- a. Profession includes those activities, which require special knowledge and skill to be applied by individuals in their occupation.
- b. A professional is expected to abide by the guidelines or codes of conduct laid down by professional bodies.
- c. Professionals earn income in the form of professional fees.

OR

i. A Hundi is a negotiable and transferrable financial instrument that evolved during Medieval India in order to facilitate trade and credit transactions.

ii. Dhani-jog Hundi is the type of financial instrument being described above.

iii. The other two types of Hundi are:

- a. **Firman-jog Hundi:** It is similar to a cheque payable on order either to the person whose name is mentioned in the Hundi or to any person so ordered by him. No endorsement is required on such a Hundi. It is just opposite of Dhani-jog hundi which is payable to the bearer only.
- b. **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.

27. Four benefit of E-business are as follows:

- 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 business alike. In fact, internet is responsible for the popularity of the phrase 'networked individuals and firms are more efficient than networked individuals'.
- ii. **Convenience:** Internet offers the convenience of 24 hours, 7 days a week, 365 days a year business that allows shopping well after midnight.
- iii. **Speed:** Internet has high speed. This benefit becomes all the more attractive in the case of information regarding intensive products.
- iv. **Global reach/access:** Internet is truly without boundaries. On the one hand, it allows the seller an access to the global market; on the other hand, it affords to the buyer a freedom to choose products from almost any part of the world. It would not be an



exaggeration to say that in the absence of internet, globalisation would have been considerably restricted in scope and speed.

28. The private sector is the part of the economy that is run by individuals and companies for profit and is not state-controlled. The various types of organizations in the private sector include:

- i. **Sole Proprietorship:** Sole proprietorship refers to a form of business organization which is owned, managed and controlled by an individual who is the recipient of all profits and bearer of all risks. The sole proprietorship is not a legal entity. It simply refers to a person who owns the business and is personally responsible for its debts. This is the most simple and easiest way of business that can start with low-cost capital.
- ii. **Hindu Undivided Family Business:** It refers to a form of organization wherein the business is owned and carried by the members of the Hindu Undivided Family (HUF). It is governed and dictated by the Hindu Law, which is one of the several religious laws prevalent in India.
- iii. **Partnership:** Partnership is the relation between persons who have agreed to share the profit of the business carried on by all or any one of them acting for all. Partnerships come in two varieties: General partnerships and Limited partnerships.
- iv. **Cooperative Society:** Cooperative society is a voluntary association of persons, who join together with the motive of the welfare of the members.
- v. **Joint Stock Company:** A company is an association of persons formed for carrying out business activities and has a legal status independent of its members.
- vi. **Multinational Corporations:** An MNC is a company whose business operations extend beyond the country in which it has been incorporated. Such companies have offices and/or factories in different countries and usually have a centralized head office where they coordinate global management.

29. Need for IOC to do such activities are because:

- i. To play a fair role in civic affairs.
- ii. To provide and promote general amenities and help in creating better living conditions in general.
- iii. To preserve and promote social and cultural values.
- iv. To take steps for developing backward areas through providing free education to children of slum areas.

Two values upheld by IOC by discharging such activities -

- i. Maintenance of society.
- ii. Holding business responsible for Society Related Issues.

30. Yes, small business units can survive in a competitive market. Small businesses can be a competitive advantage by themselves when competing against larger and more established



companies. Factors which make way for the scope of small business enterprises are as follows:

- i. **Limited resources:** Individuals with entrepreneurial spirit but with limited economic means and resources always have the option of starting a small business.
- ii. **Flexibility:** Small firms are usually owner-operated and this allows them to expand or reduce the scale of operation, try new products, new ideas without requiring lengthy approval procedures.
- iii. **Personal touch:** Small enterprises are more likely to succeed in areas requiring personal touch in handling customers.

31. In order to promote foreign trade, the Government has set up the following institutions:

- a. **Indian Institute of Foreign Trade (IIFT):** Established in 1963 under the Societies Registration Act, the IIFT is an autonomous body responsible for the management of the country's foreign trade. It is also a deemed university that provides training in international trade, conducts research in areas of international business.
- b. **Export Inspection Council (EIC):** The EIC was established by the Government of India under Section 3 of the Export Quality Control and Inspection Act, 1963, with the objective of promoting exports through quality control and pre-shipment inspections.
- c. **Indian Institute of Packaging (IIP):** The IIP is a training and research institute established in 1966 by the joint efforts of the Ministry of Commerce of the Government of India, Indian Packaging Industry and Allied Industries. The institute caters to the packaging needs of domestic manufacturers and exporters.
- d. **Indian Trade Promotion Organisation (ITPO):** The ITPO was formed on January 1, 1992, under the Companies Act, 1956. Its main objective is to maintain close interactions among traders, industry and the government.
- e. **Department of Commerce:** The Department of Commerce is the apex body in the Ministry of Commerce of the Government of India and is responsible for formulating policies related to foreign trade as well as evolving import and export policies for the country.
- f. **State Trading Organisation:** State Trading Organisation (STC) was established in May 1956. The main purpose of STC is to promote trade, primarily export trade among different trading partners of the globe.
- g. **Export Promotion Councils (EPCs):** Export Promotion Councils are non-profit institutions register under the Companies Act or the Societies Registration Act. The fundamental objective of the export promotion councils is to market and produce the nation's exports of particular products falling under their jurisdiction.

OR



- a. The two kinds of trade Jayant's family is engaged in on the basis of the area covered are internal trade and external trade.
- b. The difference between internal trade and external trade is given below:

S.No.	Basis	Internal Trade	External Trade
1.	Nationality of buyers and sellers	It involves dealings between people or organisations from the same country.	It involves dealings between people or organisations from different countries.
2.	Nationality of other stakeholders	The other stakeholders involved in the process such as suppliers, employees, middlemen, shareholders, and partners generally belong to the same country.	The other stakeholders involved in the process such as suppliers, employees, middlemen, shareholders, and partners may belong to different countries.
3.	Customer heterogeneity across markets	The customers are homogeneous in the domestic markets.	The customers are heterogeneous in the international markets due to differences in language, preferences, customs, etc. across countries.
4.	Business regulations and policies	The rules, laws and policies, taxation system, etc. of a single country are applicable to internal trade.	The rules, laws and policies, taxation system, etc. of multiple countries are applicable to external trade.
5.	Currency used in business transactions	The dealings in internal trade are carried out in the home currency itself.	The dealings in external trade may be carried out in different currencies as multiple countries are involved.

32. The main types of cooperative societies are given below:

- i. **Consumers' cooperative societies:** Consumers’ cooperatives are formed by the consumers to obtain their daily requirements at reasonable prices. Such a society buys goods directly from manufacturers and wholesalers to eliminate the profits of middlemen. These societies protect lower and middle-class people from the exploitation of profit-hungry businessmen. The profits of the society are distributed among members in the ratio of purchases made by them during the year. Consumer cooperatives or

cooperative stores are working mainly in urban areas in India. Super Bazar working under the control of the Government is an example of consumers' cooperative society.

- ii. **Producers cooperatives:** Producers or industrial cooperatives are voluntary associations of small producers and artisans who join hands to face competition and increase production. These societies are of two types.
 - a. **Industrial service cooperatives:** In this type, the producers work independently and sell their industrial output to the cooperative society. The society undertakes to supply raw materials, tools, and machinery to the members. The output of members is marketed by society.
 - b. **Manufacturing cooperatives:** In this type, producer members are treated as employees of the society and are paid wages for their work. The society provides raw material and equipment to every member. The members produce goods at a commonplace or in their houses. Society sells the output in the market and its profits are distributed among the members.
- iii. **Marketing Cooperatives:** These are voluntary associations of independent producers who want to sell their output at remunerative prices. The output of different members is pooled and sold through a centralised agency to eliminate middlemen. The sale proceeds are distributed among the members in the ratio of their outputs. As a central sales agency, the society may also perform important marketing functions such as processing, grading and packaging the output, advertising and exporting products, warehousing and transportation, etc. Marketing societies are set up generally by farmers, artisans and small producers who find it difficult to face competition in the market and to perform necessary marketing functions individually. The National Agricultural Cooperative Marketing Federation (NAFED) is an example of a marketing cooperative in India.
- iv. **Cooperative Farming Societies:** These are voluntary associations of small farmers who join together to obtain the economies of large scale farming. In India, farmers are economically weak and their land-holdings are small. In their individual capacity, they are unable to use modern tools, seeds, fertilizers, etc. They pool their lands and do farming collectively with the help of modern technology to maximize agricultural output.
- v. **Housing Cooperatives:** These societies are formed by a low and middle-income group of people in urban areas to have a house of their own. Housing cooperatives are of different types. Some societies acquire land and give the plots to the members for constructing their own houses. They also arrange loans from financial institutions and government agencies. Other societies themselves construct houses and allot them to the members who make payments in installments.



- vi. **Credit Cooperatives:** These societies are formed by poor people to provide financial help and to develop the habit of savings among members. They help to protect members from the exploitation of money lenders who charge exorbitant interest from borrowers. Credit cooperatives are found in both urban and rural areas. In rural areas, agricultural credit societies provide loans to members mainly for agricultural activities. In urban areas, non-agricultural societies or urban banks offer credit facilities to the members for household needs. In India, several national federations of cooperative societies have been formed. National Cooperative Consumers Federation, National Federation of Cooperative Sugar Factories, National Agricultural Cooperative Marketing Federation, National Cooperative Dairy Federation, National Cooperative Housing Federation, All India State Cooperative Banks Federation are some examples.

OR

It is evident that each form of organization has certain advantages as well as disadvantages. Therefore, it is important to choose an appropriate form of organization by keeping the below factors in mind:-

- i. **Cost and ease in setting up the organization:** From the point of view of initial cost, a sole proprietorship is the preferred form as it requires very small investment. A company form of organization, on the other hand, is more complex and involves greater costs.
- ii. **Liability:** In the case of sole proprietorship and partnership firms, the liability of the owners/ partners is unlimited. In Joint Hindu Family Business, only the Karta has unlimited liability. In Co-operative societies and companies, however, liability is limited.
- iii. **Continuity:** In case the business needs a permanent structure, the company form is more suitable. For short term ventures, Sole proprietorship is mostly preferred.
- iv. **Management ability:** A sole proprietor may find it difficult to have expertise in all functional areas of management. In other forms of organizations like partnership and company, there is no such problem. The company is the most favored option here.
- v. **Capital consideration:** Companies are in a better position to collect a large amount of capital by issuing shares to a large number of investors. Partnership firms also have the advantage of the combined resources of all partners. But the resources of a sole proprietor are limited.
- vi. **Degree of control:** If direct control over operations and absolute decision-making power is required, a sole proprietorship may be preferred. But if the owners do not mind sharing control and decision making, partnership or company form of organization can be adopted.



33. i. Sources of owned capital used by a company. Sources of Owners fund

- a. Equity shares
- b. Preference Shares
- c. Retained Earnings
- d. ADRs
- e. GDRs

Sources of Borrowed funds

- a. Trade Credits
- b. Loans from Banks
- c. Loans from Financial Institution
- d. Debentures
- e. Public Deposits
- f. Commercial Paper
- g. Inter-corporate Deposits

ii. Difference between Owner's Fund and Borrowed Fund:

S.No.	Basis	Owners' Fund	Borrowed Fund
(i)	Risk capital	It provides risk capital	It does not provide risk capital
(ii)	Permanent capital	It provides permanent capital	It does not provide permanent capital
(iii)	Basis of control	It provides the basis on which owners require their right of control over the management	It does not affect the owner's control over the management
(iv)	Reward	The dividend is the reward.	The interest is the reward.

34.	Type of Insurance	Meaning	Type of Risk Covered
	Life Insurance	A life insurance policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon the insured's death or on the expiry of a certain fixed period whichever is earlier.	It provides protection to the family at the premature death or gives adequate amounts at old age when earning capacity is reduced.

Fire Insurance	Fire insurance is a contract under which the insurer in return for a consideration (premium) agrees to indemnify the insured for the financial loss which the latter may suffer due to the destruction of or damage to property or goods, by occurrence of fire, during a specified period.	The fire insurance Protects the goods against the risk of fire.
Marine Insurance	Marine Insurance is a contract of insurance under which the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses.	Marine insurance Protects the goods against the risk of loss on a sea voyage.
Health Insurance	Health Insurance policy is a contract between an insurer and an individual or group, in which the insurer agrees to provide specified health insurance at an agreed-upon price (the premium).	Protects against unseen health problems. These include doctor's services, inpatient and outpatient hospital care, prescription drug coverage, pregnancy and childbirth, mental health services, and more.
Motor Vehicle Insurance	It is a contract whereby the insurer agrees to indemnify the insured, in consideration of a fixed premium, for a loss caused by theft, fire, accident, earthquake, etc.	It protects the value of motor vehicles against the risk of theft, accident, and fire, etc. It also covers the owners liability to compensate who are killed or insured through the negligence of the motorist.
Crop Insurance	Crop insurance refers to insurance which insures farmers and crop producers against their loss of crops due to natural disasters, such as hail drought, and floods.	It covers all risks of loss or damages to the crop.

