

CBSE
Class XI Business Studies

Time: 3 hrs

Max. Marks: 90

General Instructions:

- i. All questions are compulsory.
- ii. Marks for questions are indicated against each question.
- iii. Question Nos. **1–8** are very short answer questions carrying **1** mark each. They are required to be answered in one sentence each.
- iv. Question Nos. **9–14** are short answer questions carrying **3** marks each. Answers to them should normally not exceed **50–75** words each.
- v. Question Nos. **15–18** are also short answer questions carrying **4** marks each. Answers to them should normally not exceed **150** words each.
- vi. Question Nos. **19–23** are long answer questions carrying **5** marks each. Answers to them should normally not exceed **150** words each.
- vii. Question Nos. **24–27** are long answer questions carrying **6** marks each. Answers to them should normally not exceed **200** words each.
- viii. Answers should be brief and to the point, and the above word limits should be adhered to as far as possible.

1. Insurance belongs to which of the following types of industry? [1]
 - a. Primary
 - b. Secondary
 - c. Tertiary
 - d. None of the above
2. Which form of business organisation provides limited liability to its members and unlimited liability to its head? [1]
 - a. Sole proprietorship
 - b. Partnership
 - c. Cooperative society
 - d. Hindu undivided family
3. Which kind of deposit is raised directly from the public? [1]
4. What is OPC? [1]
5. Which of the following does not come under the World Bank group? [1]
 - a. International Court of Justice
 - b. International Monetary Fund

- c. International Development Association
 - d. International Labour Organisation [1]
6. Which of the following is the classification of itinerants? [1]
- a. Hawkers
 - b. Street traders
 - c. Cheap jacks
 - d. All of the above
7. What is the principle followed in a cooperative society? [1]
8. Cottage industries are well-known industries in rural areas. State any two features of the same. [1]
9. Commerce is a kind of business activity. Write a brief note on it. [3]
10. Explain any one factor which can explain the need for pollution control. [3]
11. The quality of the environment is important for all of us; thus, it is our collective responsibility to protect it from getting spoiled, whether it is the government or consumers or business firms. In the given context, state some laws introduced by the government on protection of the environment in India. [3]
12. What are the different roles played by a minor in a Hindu Undivided Family and in a partnership firm? [3]
13. Name the industries specified under the first schedule of the Development and Regulation Act 1951 engaged in the manufacture or production of goods. Give a brief outline on them. [3]
14. Although India may not be eager to have cordial relations with neighbouring countries, it still trades with them. Why does it do so? [3]
15. Kinjal's neighbourhood is surrounded by many shops such as a newspaper seller shop and an electronics shop. Help her to identify the type of small-scale retailer under which these businesses belong. Also explain the differences among them. [4]
16. Arjun has an enormous unused area near his house in a village. He asks his friend if he could use it for any purpose which would earn him some money for his family. His friend suggests that he allow traders to stock their material for a certain period of time and in turn charge them for the same.
- a. Which term is being referred to in the above paragraph? Define the same. [1]
 - b. State its various functions. [3]

17. Nitin wants to start a fast food business. He asks his uneducated father for some amount to establish his business. His father states that the food business does not require money as food can be prepared from home. In this context:
- What do you understand by the term business finance? [1]
 - Why do you think that a business needs funds for its establishment or its running? [3]
18. People of rural India faced discrimination for ages, while those in urban India were given opportunities to improve their living. However, after some time, the Indian government realised the need to restore regional balance in the country. How did the government bring about changes in this context? [4]
19. 'A society has its own objectives for the promotion of economic interests of its members in accordance with cooperative principles.' Which term is being referred to here? State its characteristics. [4]
20. The public sector consists of different types of organisations. Among those organisations, many of them prefer government-based organisations compared to others. Give reasons. [5]
21. Radhika had recently shifted to another area which boosted the wholesale market around it. Although she was happy to buy items at a wholesale price, she started missing the retail stores present in her previous area. She realised that those stores played an essential role in her shopping. Do you think these stores can play such a role? If yes, why? [5]
22. A bank offers services such as accepting deposits and lending loans to the public and various companies. Which type of bank is described here? State its functions. [5]
23. Describe different types of financial instruments used in international financing. [5]
24. Harsha has been continuously hearing about online trading and its benefits. However, she is sceptical about using it as she is unaware of the ways it is done. Her friend (You) are an online trader. She asks for your help. Explain to her the procedure performed for online trading. [6]
25. A customer's preference for a product declines after a certain period because of some competitors' policies or change in taste. In such cases, it is difficult for a businessperson to correctly anticipate consumer preferences. As a result, he or she always faces the risk of unforeseen fluctuations in demand. This leads to a possibility of occurrence of loss in the business.
- Which aspect of business is cited in the example? [2]
 - State the nature of the aspect of business mentioned above. [4]

- 26.** Westernisation has impacted India and its people in an enormous way. As a result, many other nations have also become aware of various products available in India for their usage. Thus, to attract foreign customers, the government has set up various organisations in the country which would promote a country's foreign trade. Name these organisations and explain each of them briefly. [6]
- 27.** Kirti along with her class visited an industrial area on their college field trip. She was amazed with the sheer size of the firm and the machinery used for the production. She was excited and wanted to update her father (small-time businessman) regarding the same. She asked her father to set up their business in a similar fashion. However, her father informed her that it would not be possible for them to do so because of the various problems they face being a small-scale business. Explain in detail the problems faced by such small-scale firms. [6]

CBSE
Class XI Business Studies
Solution

Answer 1

Insurance belongs to the **tertiary industry** because it facilitates the removal of obstacles with respect to risk of loss or damage of goods or services due to accidents, thefts and fire.

Answer 2

The karta (head) in a **Hindu undivided family** business has unlimited liability, while the members have limited liability. This is because the karta is the eldest member of the family and has the responsibility of making all the decisions for the business. However, the liability of other members is limited to their share in the business.

Answer 3

Public deposits are directly raised from the public by organisations to finance both medium and short-term financial requirements. These deposits provide higher interest rates as compared to bank deposits. Reserve Bank of India regulates the acceptance of public deposits.

Answer 4

OPC refers to 'one person company'. This new type of entity was introduced by a 2013 Act where only one person is the member of the company. It is an entity which allows a person to form a company neither public nor private.

Answer 5

International Monetary Fund (IMF) does not come under the World Bank group. In fact, it is the second international organisation after World Bank. It was set up to provide a system of international payments and to adjust exchange rates among national currencies.

Answer 6

The term itinerant refers to retailers who do not have any permanent place to run their business. Examples: Hawkers and pedlars, periodic market traders, cheap jacks and street traders

Answer 7

The principle of **one man, one vote** is followed in a cooperative society. This right is equally provided to all the members irrespective of the amount of money contributed by them.

Answer 8

Features of cottage industry:

1. ***Owned and organised by individuals*** having private resources.

2. **Less or minimal** capital is required in these units.

Answer 9

After manufacturing and production comes the task of distribution of goods. Activities which fall under the purview of commerce involve helping directly or indirectly in distributing goods and services from the producers to the users or ultimate consumers. Sometimes, high-in-demand goods are produced at one place and need to be circulated and distributed to consumers living at different places. In such situations, commerce or commercial activities take a lead in distributing and delivering the goods. Thus, the major commercial activities are transport, advertisement, packaging, warehousing, banking and communication. Hence, we can say that the gap between producers and consumers is removed by commerce. Commerce can then be further classified into trade and auxiliaries to trade.

Answer 10

A factor which can explain the need for pollution control is **reduced risk of liability**. Whenever there is any kind of environmental damage or human resource damage caused by the release of toxic solid, liquid or gaseous waste from factories, the polluting firms are required to pay hefty fines. Thus, if they install pollution control devices, then they could avoid paying compensation to parties affected by pollution as well as save the environment.

Answer 11

Laws enacted by the Directive Principles of State Policy in the Constitution of India on protection of environment are

- The Wildlife Protection Act, 1972
- The Air (Prevention and Control of Pollution) Act, 1974, amended in 1974 and 1988
- The Environment (Protection) Act, 1986
- The Water (Prevention and Control of Pollution) Act, 1974, amended in 1974 and 1988

Answer 12

	Joint Hindu Family	Partnership Firm
Minor	Can become a member right after birth	Cannot be a partner in a partnership firm
	Enjoys equal ownership over the inherited property just like the remaining members of the family	Can be admitted to the benefits of the partnership firm with the consent of all the other partners

Answer 13

Under the first schedule of the Development and Regulation Act, 1951, industries which engaged in the manufacture or production of goods are

1. **Micro enterprise:** The investment for plant and machinery is up to 25 lakh rupees in these enterprises.
2. **Small enterprise:** The investment for plant and machinery is more than 25 lakh rupees, but it does not exceed 5 crore rupees.
3. **Medium enterprise:** The investment for plant and machinery is more than 5 crore rupees, but it does not exceed 10 crore rupees.

Answer 14

Reasons for trade between nations:

- i. **Overcome the limitation of scarcity:** Natural resources are not equally available among nations. Some nations may be rich in minerals, while other nations may be rich in agricultural products. So, the nation which faces a shortage of oil and petroleum products such as India can import from the nation which is abundant in the production of that product. This enables different nations to bridge the gap which they may face due to the shortage of certain goods.
- ii. **Maximise the profit through better utilisation of resources:** Some nations which have surplus natural resources at low price can export to other nations to earn good value for their product. Certain nations import goods which are expensive to produce within the nation at a low rate from other nations. Therefore, every nation can maximise their profit by either import or export of goods for better utilisation of available resources.
- iii. **Maintain price stability:** Demand and supply of goods in the international market are controlled by exporting the surplus to other nations which are scarce in those goods.

Answer 15

Street traders and street shops are businesses which belong to the category of small-scale retailers.

Street Traders	Street Shops
Small retailers selling cheap products on the streets.	Small shops situated on the streets or roadside selling branded or cheap products.
They are mostly found at places with heavy population or at crowded places.	They are usually available on every street.
Do not have a permanent establishment.	Have a permanent establishment.

Examples: They deal in vegetables, newspapers and accessories.	Examples: They deal in garments, electronic goods and grocery items.
--	--

Answer 16

- a. The term referred to in the given paragraph is 'warehousing'. Warehousing refers to a storage unit which is used to store various goods in an orderly manner so as to preserve their worth and quality. It not only provides storage space but also logistics services which tend to be profitable and economical.
- b. Functions of warehousing:
 - i. **Consolidation:** It receives products from various places. It helps in consolidation of all the materials received and then sends it across as a single product package to the desired location.
 - ii. **Bulk division:** It also helps in separating bulk quantities and sending it in smaller packages to specific locations.
 - iii. **Piling up of stocks:** Many a times, packages received at the storehouse are not required immediately. So, these products are then stored at the warehouse and sent to the desired locations as and when required.

Answer 17

- a. Business finance refers to funds required for carrying out business activities.
- b. Small business owners and big entrepreneurs face the biggest challenge when raising funds. Finding the right funds and growing eventually is what everyone is looking out for. As the business grows, there is an inevitable greater call for funds to finance expansion and to meet its day-to-day expenses. Liquid cash is needed to meet short-term requirements during the operating cycle. These operations include purchase of premises and payment of wages and salaries. Funds required to finance the expansion of a business are also considered part of business finance.

Reasons why a business needs funds:

 - i. **Fixed capital requirements:** Funds required to purchase fixed assets such as building, machinery, furniture and fixtures are termed fixed capital requirements of an organisation. The quantum of funds required varies from business to business depending on the nature and size of a business.
 - ii. **Working capital requirements:** Funds required for meeting day-to-day business activities such as purchasing raw materials, payment of wages and salaries to employees and payment of rent are known as working capital requirements of an organisation.

Answer 18

The government maintains a regional balance in the country in the following ways:

- i. Public sector enterprises were purposely set up in rural areas. This created employment opportunities for the rural people and led to the growth and development of rural areas.

- ii. Setting up of four major steel plants helped in accelerating economic development. It also enhanced ancillary industries by bringing about balanced development in all areas.
- iii. The government also established infrastructure facilities such as roads, bridges and railways in rural areas. This made rural areas well connected with the other parts of the country, thereby leading to development of all regions in a balanced way.

Answer 19

The term referred to in the given paragraph is 'cooperative organisation'. According to Indian Cooperative Societies Act, 1912, cooperative organisation refers to a society wherein people voluntarily form an association for mutual help.

Characteristics:

- i. **Voluntary association:** Anyone having a similar/common interest is allowed to join this association irrespective of their religion, caste or gender. A person can join a society according to his requirement and may leave in the same manner.
- ii. **Legal status:** Registration is compulsory for the society, thereby giving it a status of separate legal identity. It can enter into contracts and has the right to sue others or can be sued by others.
- iii. **Limited liability:** The liability of the members is limited to the amount of capital invested by them.
- iv. **Democratic and secular control:** It follows the principle of 'one man, one vote', thereby maintaining equality among its members. Also, the members of a particular religion cannot dominate the affairs of the society.

Answer 20

Reasons why government company form of organisation is preferred over other types of organisation in the public sector:

- i. **Easy formation:** A government company needs no bill to be passed in the Parliament for its formation. It can be formed through a simple procedure under the Indian Companies Act, 1956.
- ii. **Separate entity:** It has its own identity which is separate from that of the government. It has properties in its name and has the right to enter into contracts.
- iii. **Administrative autonomy:** A government company has minimum interference from the government. It has maximum autonomy in its actions and decision-making processes, while the other companies are controlled in some manner or the other by the government.
- iv. **Efficiency:** Government companies are efficient in managing their business and hence are more accountable as compared to other public sector enterprises.
- v. **Competition:** They provide healthy competition to private sector enterprises by providing goods and services at reasonable prices and help in restricting unhealthy business practices.

Answer 21

Yes, retail stores do play an essential role.

Retail shops are shops where retailers sell their products to final consumers. Retailers buy goods directly from manufacturers or wholesalers in bulk quantities. They then sell these goods to final customers in small quantities.

Reasons for their importance:

- i. Regular availability of goods would be hampered without them.
- ii. Customers would be deprived of choosing from a wide range of products which are provided by retailers.
- iii. Information regarding new products is passed on by retailers to consumers allowing them to make important decisions regarding products.
- iv. They are usually located near residential areas and remain open for long hours making it easier for customers to approach them.
- v. They also provide after-sales services such as home delivery, credit facilities and more.

Answer 22

Functions of commercial banks:

- i. **Accepting deposits:** Banks play an essential role in the economy as they borrow money from the public in the form of deposits and pay interest, and they lend money to the public or investors and get interest. They accept various types of deposits from the public through current accounts, fixed accounts and savings accounts.
- ii. **Lending funds:** Banks use the deposited money by providing loans and advances to people or investors who are in need of money. The advances can be in various forms such as overdrafts, cash credits, term loans and trade bills. The amount to be lent depends on the amount of money deposited in the bank.
- iii. **Cheque facility:** A cheque is an inexpensive means wherein a bank is directed to pay a certain amount of money from a person's account to another. Cheques are of two types—bearer cheques and crossed cheques. This is an essential service provided by banks to the public.
- iv. **Remittance of funds:** This function involves transferring of funds from one bank to another using pay orders, bank drafts or mail transfers.
- v. **Allied services:** Banks also provide various other services which are known as allied services. These include bill payments, locker facilities, helping customers in the share market, underwriting services, dividend collection and insurance premium payment.

Answer 23

Financial instruments used in international financing:

- i. **Commercial banks:** These banks are located all over the world and provide foreign currency loans to firms. Different types of loans and services are provided by banks to different countries.

- ii. **Global Depository Receipt (GDR):** In return for the local currency shares deposited in an account, the depository bank issues receipts, accounted in some foreign currency (US dollars), known as global deposit receipt (GDR). It is termed a negotiable instrument listed freely in the foreign stock exchange and can be bought and sold like any other security. It can be listed and traded on the stock exchange of any country other than the United States.
- iii. **American Depository Receipt (ADR):** A negotiable depository receipt or certificate which represents the shares of companies based in the United States. Unlike GDR, it can be listed only in the U.S. stock exchange and can only be issued to American citizens. American investors thus gain the ability to purchase shares in international firms.

Answer 24

Online trading refers to the act of buying and selling products through the Internet and is available to each person interested in shopping online. There are three stages involved in online trading. First is the pre-purchase stage which includes advertising and information seeking. Second is the purchase/sale stage wherein the price is negotiated, the deal is confirmed and the payment is made. The last stage is the delivery stage.

Let us understand each stage in detail:

- i. **Registration:** Before one can begin with online shopping, one has to register on the website by filing up a registration form. The username and password will be assigned which can be used for further processes.
- ii. **Order placement:** After your account is registered, you can check out the stuff you are interested in buying and place them in the shopping cart for buying later or directly proceed to the cart. This is similar to what we do in a physical store.
- iii. **Payment:** The next step is to choose the payment option once the items are decided. Various payment options are
 - a. **Cash on delivery (COD):** As the name suggests, it means that the buyer can make payment for the order at the time of delivery of the product.
 - b. **Cheque:** Payment is through cheque. After the product is booked, the vendor can arrange for the cheque to be picked up from the buyer. On realisation, the goods can be delivered to the buyer.
 - c. **Net banking transfer:** This process allows the buyer to transfer funds to the vendor's account over the Internet. After the payment is received, the vendor delivers the product.
 - d. **Credit or debit card:** Plastic money is majorly used for online shopping. In this payment mode, the person needs to feed in his card information after which he will receive a one-time password (OTP) on his smartphone which needs to be entered to complete the payment transaction. After confirmation, the vendor starts the delivery process.
 - e. **Digital cash:** It is an electronic form of currency which does not have any physical presence. This cash can be used as real currency in cyberspace. Availing of this cash can be done from the bank by transferring the amount

(in the form of cheque or draft) equal to the digital cash needed. These funds are stored on the computer. It can then be used as cash to make online transactions.

Answer 25

- a. Business risk may be defined in terms of the possibility of occurrence of losses or insufficient profits because of various unexpected events which cannot be controlled by business.
- b. **Nature of business risk:**
 - i. **Essential part of business:** Risk is an essential part of business and cannot be avoided. Every type of business faces risk although the degree of risk may vary. A business risk can be reduced but cannot be eliminated.
 - ii. **Depends on the nature of business:** The degree of risk which a business faces depends on the nature and size of the business. A large-scale business is more prone to risks than a small-scale one. For instance, a business which produces goods of daily use, such as soap and toothpaste, faces a lower business risk than a business which produces fashion goods which are highly dependent on consumer preferences.
 - iii. **Reward for bearing risk:** A business earns profit for undertaking risk. 'No pain, no gain' goes hand-in-hand with 'no risk, no gain' in business. Higher the degree of risk involved, higher the amount of profit earned and *vice versa*.
 - iv. **Arise due to uncertainties:** Change in government policies or natural calamities can be some uncertain reasons which can cause a business risk as the outcome of such events are unknown to all.

Answer 26

Organisations set up in the country by the government for promoting the country's foreign trade:

- i. **Department of Commerce** is an apex body which looks into India's external trade. It was set up to ensure that measures were taken to develop commercial relations with other countries. As a result, policies relating to external trade and import and export were formulated.
- ii. **Export Promotion Councils (EPCs):** As the case may be, these are registered under the Companies Act or the Societies Registration Act. This council is a non-profit organisation whose objective is to increase the country's exports of specific products under its jurisdiction.
- iii. **Commodity Boards:** They are set up by the Government of India with the purpose of promoting production of traditional commodities and their export. These boards augment EPCs.
- iv. **Export Inspection Council (EIC):** The Government of India under Section 3 of the Export Quality Control and Inspection Act, 1963, brought this Council into existence with the intention to improve export-related practices.

- v. **Indian Trade Promotion Organisation (ITPO):** Indian Trade Promotion Organisation (ITPO) was established on 1st January 1992 by the Ministry of Commerce under the Companies Act, 1956. It was formed by merging the Trade Development Authority and the Trade Fair Authority of India. It was created so that regular interaction can be managed among the government, trade and industry.
- vi. **Indian Institute of Foreign Trade (IIFT):** It was set up in 1963 by the Government of India as an autonomous body. It has recently been recognised as a deemed university. It conducts training in international trade, research in areas of international business and analyses and provides data related to international trade and investments.

Answer 27

Problems faced by small-scale industries:

- i. **Insufficient funds:** One of the major issues faced by small-scale industries is that of insufficient funds to carry out activities. They have to heavily depend on local financial resources for funds. These locals exploit people thereby depriving them of adequate funds. Banks too are not eager to provide loans to borrowers who do not have adequate collateral security.
- ii. **Raw materials:** Procurement of raw materials is another problem faced by these industries. Unavailability of raw materials at local markets forces them to buy materials at higher rates. Unacceptable and unaffordable rates force the buyers to buy low-quality materials thereby affecting their quality of production. Also, when buyers purchase goods in small quantities, they are left with no margin to bargain, which increases their cost. Because of lack of space for storage, materials cannot be bought in bulk. In addition, a poor transport system and a faulty supply mechanism often result in irregular supply of raw materials.
- iii. **Lack of managerial skills:** A business operated on a small scale does not consist of people with managerial skills. Many of these people possess sound technical knowledge; however, they are not good in marketing the output. Also, it becomes burdensome for them to take care of all functions at the same time when they do not have enough knowledge of the same.
- iv. **Marketing:** It is one of the most important activities in a business. Small-scale businesses may not have expertise in marketing; hence, they need to be promoted through middlemen. Middlemen exploit owners of small-scale enterprises by paying them low prices and delaying their payments unnecessarily.
- v. **Quality:** These businesses are sometimes unable to control their quality of products. This is because they focus on cutting costs and keeping prices low. This hampers the quality of product.
- vi. **Technology:** Use of outdated technologies lowers productivity. It makes operations unfeasible and leads to uneconomical production.