

Delhi Public School, Jammu
Question Bank
(2017 – 18)

Class : XI

Subject : Business Studies

1. Identify the type of activity if a worker working in a factory, a doctor operating in his clinic, a manager working in the office and a teacher teaching in school.

Ans. Economic Activity

2. "Profit is the reward for risk taking". Comment.

Ans. 'No risk, no gain' is an age-old principle which applies to all types of business. An entrepreneur undertakes risks under the expectation of higher profit. Profit is thus the reward for risk taking.

3. Name various forms of business organisations from which one can choose the right one.

Ans. (a) Sole proprietorship (b) Joint Hindu Family (c) Partnership
(d) Cooperative Societies (e) Joint stock company

4. What are the forms of organisation which public enterprise may take.

Ans. (a) Departmental undertaking (b) Statutory corporation
(c) Government company

5. What is the level of operating cost in traditional business and e-business?

Ans. Operating cost of traditional business is high due to the fixed charges and operating cost of e-business is low.

6. A Business enterprise is basically an economic entity and therefore its primary social responsibility is economic. Comment.

Ans. Production of goods and services that society wants and sell them at profit. There is little discretion in performing this responsibility.

7. Factoring is a financial service under which the 'factor' renders various services. But after that there are some limitations of factoring. Identify any one limitation of factoring as a source of finance.

Ans. The advance finance provided by the factor firm is generally available at a higher interest cost than the usual rate of interest.

8. What type of services a wholesaler provides to the retailers?

Ans. (a) Availability of goods (b) Marketing support (c) Grant of credit (d) Specialised knowledge

9. Explain any 3 causes of business risks.

Ans. (i) **Natural causes:** Human beings have little control over natural calamities like flood, earthquake, lightning, heavy rains, famine, etc. These result in heavy loss of life, property and income in business.

(ii) **Human causes:** Human causes include such unexpected events like dishonesty, carelessness or Negligence of employees, stoppage of work due to power failure, strikes, riots, management inefficiency, etc.

(iii) **Economic causes:** These include uncertainties relating to demand for goods, competition, price, collection of dues from customers, change of technology or method of production, etc. Financial problems like rise in interest rate for borrowing, levy of higher taxes, etc., also come under these type of causes as they result in higher unexpected cost of operation

10. Explain the following terms used in a partnership business :

(a) Sleeping Partner

(b) Secret Partner

(c) Partner by Estoppel

Ans. **Sleeping or dormant partner:** Partners who do not take part in the day to day activities of the business are called sleeping partners. A sleeping partner, however, contributes capital to the firm, shares its profits and losses, and has unlimited liability.

Secret partner: A secret partner is one whose association with the firm is unknown to the general public. Other than this distinct feature, in all other aspects he is like the rest of the partners. He contributes to the capital of the firm, takes part in the management, shares its profits and losses, and has unlimited liability towards the creditors.

Partner by estoppel: A person is considered a partner by estoppel if, through his/her own initiative, conduct or behaviour, he/she gives an impression to others that he/she is a partner of the firm. Such partners are held liable for the debts of the firm because in the eyes of the third party they are considered partners, even though they do not contribute capital or take part in its management.

11. Give any three merits of departmental undertaking.

Ans. Merits of departmental undertakings:

(i) These undertakings facilitate the Parliament to exercise effective control over their operations.

(ii) These ensure a high degree of public accountability;

(iii) The revenue earned by the enterprise goes directly to the treasury and hence is a source of income for the Government;

(iv) Where national security is concerned, this form is most suitable since it is under the direct control and supervision of the concerned Ministry.

12. Explain any three functions of insurance.

Ans. Functions of insurance:

(i) **Providing certainty:** Insurance provides certainty of payment for the risk of loss. There are uncertainties of happenings of time and amount of loss. Insurance removes these uncertainties and the assured receives payment of loss. The insurer charges premium for providing the certainty.

(ii) Protection: The second main function of insurance is to provide protection from probable chances of loss. Insurance cannot stop the happening of a risk or event but can compensate for losses arising out of it.

(iii) Risk sharing: On the happening of a risk event, the loss is shared by all the persons exposed to it. The share is obtained from every insured member by way of premiums.

13. Explain any three advantages or benefits of E-Business.

Ans. 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 business alike. In fact, internet is responsible for the popularity of the phrase: *'networked individuals and firms are more efficient than networked individuals.'* This means that even if you do not have much of the investment (networth) but have contacts (network), you can do fabulous business.

(ii) Convenience: Internet offers the convenience of '24 hours 24/7 days a week 365 days' a year business that allowed Rita and Rekha to go for shopping well after midnight. Such flexibility is available even to the organisational personnel whereby they can do work from wherever they are, and whenever they may want to do it.

14. Briefly explain :

- (a) Economic Responsibility
- (b) Legal Responsibility
- (c) Ethical Responsibility

Ans. **(a) Economic responsibility:** A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic i.e., produce goods and services that society wants and sell them at a profit. There is little discretion in performing this responsibility.

(b) Legal responsibility: Every business has a responsibility to operate within the laws of the land. Since these laws are meant for the good of the society, a law abiding enterprise is a socially responsible enterprise as well.

(c) Ethical responsibility: This includes the behaviour of the firm that is expected by society but not codified in law. For example, respecting the religious sentiments and dignity of people while advertising for a product. There is an element of voluntary action in performing this responsibility.

15. Give any four Limitations of E-Business

Ans. Limitations of E-Business:

(i) Low personal touch: High-tech it may be, e-business, however, lacks warmth of interpersonal interactions. To this extent, it is 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 product takes time. This incongruence may play on the patience of the customers. At times, due to technical reasons, web sites take unusually long time to open. This may further frustrate the user.

(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. And, this requirement is responsible for what is known as digital divide, that is the division of society on the basis of familiarity and non-familiarity with digital technology.

16. Explain any four advantages or merits of financial institutions

Ans. Merits of financial institutions:

- (i) Financial institutions provide long term finance, which are not provided by commercial banks;
- (ii) Besides providing funds, many of these institutions provide financial, managerial and technical advice and consultancy to business firms;
- (iii) Obtaining loan from financial institutions increases the goodwill of the borrowing company in the capital market. Consequently, such a company can raise funds easily from other sources as well;
- (iv) As repayment of loan can be made in easy instalments, it does not prove to be much of a burden on the business;
- (v) The funds are made available even during periods of depression, when other sources of finance are not available.

17. Explain the role of small business in India.

Ans. Role of small business in India:

- (i) Small industries in India account for 95 per cent of the industrial units in the country. They contribute almost 40 per cent of the gross industrial value added and 45 per cent of the total exports (direct and indirect exports) from India.
- (ii) Small industries are the second largest employers of human resources, after agriculture. They generate more number of employment opportunities per unit of capital invested compared to large industries. They are, therefore, considered to be more labour intensive and less capital intensive. This is a boon for a labour surplus country like India.
- (iii) The contribution of small industries to the balanced regional development of our country is noteworthy. Small industries which produce simple products using simple technologies and depend on locally available resources both material and labour can be set up anywhere in the country. Since they can be widely spread without any locational constraints, the benefits of industrialisation can be reaped by every region. They thus, contribute significantly to the balanced development of the country

18. Explain the services provided by the retailer to consumers

Ans. Services to consumers:

- (i) Regular availability of products:** The most important service of a retailer to consumers is to maintain regular availability of various products produced by different manufacturers. This enables the buyers to buy products as and when needed.
- (ii) After-sales services:** Retailers provide important after-sales services in the form of home delivery, supply of spare parts and attending to customers. This becomes an important factor in the buyers' decision for repeat purchase of the products.
- (iii) Provide credit facilities:** The retailers sometimes provide credit facilities to their regular buyers. This enables the latter to increase their level of consumption and, thereby, their standard of living.
- (iv) Wide selection:** Retailers generally keep stock of a variety of products of different manufacturers. This enables the consumers to make their choice out of a wide selection of goods.

19. Explain any three advantages of Licensing and Franchising

Ans. Advantages of Licensing and Franchising :

- (i) Under the licensing/franchising system, it is the licensor/franchiser who sets up the business unit and invests his/her own money in the business. As such, the licensor/franchiser has to virtually make no investments abroad. Licensing/franchising is, therefore, considered a less expensive mode of entering into international business.
- (ii) Since the business in the foreign country is managed by the licensee/franchisee who is a local person, there are lower risks of business takeovers or government interventions.
- (iii) Licensee/franchisee being a local person has greater market knowledge and contacts which can prove quite helpful to the licensor/franchiser in successfully conducting its marketing operations.

20. Explain the features or characteristics of Government Companies.

Ans. Features/characteristics of Government companies:

- (i) It is an organisation created by the Indian Companies Act, 1956;
- (ii) The company can file a suit in a court of law against any third party and be sued;
- (iii) The company can enter into a contract and can acquire property in its own name;
- (iv) The management of the company is regulated by the provisions of the Companies Act, like any other public limited company;
- (v) The employees of the company are appointed according to their own rules and regulations as contained in the Memorandum and Articles of Association of the company. The Memorandum and Articles of Association are the main documents of the company, containing the objects of the company and its rules and regulations.

21. Explain some of the important features/characteristics of departmental stores.

Ans. Features of departmental stores:

- (a) A modern departmental store may provide all facilities such as restaurant, travel and information bureau, telephone booth, restrooms, etc. As such they try to provide maximum service to higher class of customers for whom price is of secondary importance.
- (b) These stores are generally located at a central place in the heart of a city, which caters to a large number of customers.
- (c) As the size of these stores is very large, they are generally formed as a joint stock company managed by a board of directors. There is a managing director assisted by a general manager and several department managers.
- (d) A departmental store combines both the functions of retailing as well as warehousing. They purchase directly from manufacturers and operate separate warehouses. That way they help in eliminating undesirable middlemen between the producers and the customers.

22. (a) Explain the following types of industries:

- (i) Extractive Industries (ii) Genetic industries (iii) Construction industries

(b) Mr. Vinod decided that his manufacturing unit (garments) will be set up in a rural area of Orissa where people have very less job opportunities and labour is available at ver low rate. He also thought of giving equal opportunities to men and women. Identify two values which Vinod wants to communicate to the society by setting up this manufacturing unit.

Ans. (i) Extractive industries: These industries extract or draw out products from natural sources. Extractive industries supply some basic raw materials that are mostly products of geographical or natural environment. Products of these industries are usually transformed

into many other useful goods by manufacturing industries. Important extractive industries include farming, mining, lumbering, hunting and fishing operations.

(ii) Genetic industries: These industries remain engaged in breeding plants and animals for their use in further reproduction. For the breeding of plants, the seeds and nursery companies are typical examples of genetic industries. In addition, activities of cattlebreeding farms, poultry farms, and fish hatchery come under the class of genetic industries.

(iii) Construction industries: These industries are involved in the construction of buildings, dams, bridges, roads as well as tunnels and canals. Engineering and architectural skills are an important part in construction industries.

Values : (a) Value of understanding social responsibilities (b) Equal opportunities to men and women.

23. Explain the features of Statutory Corporations and also identify the values disclosed by the Statutory Corporations.

Ans. Features of Statutory Corporations:

(i) Statutory corporations are set up under an Act of Parliament and are governed by the provisions of the Act. The Act defines the objects, powers and privileges of a statutory corporation;

(ii) This type of organisation is wholly owned by the state. The government has the ultimate financial responsibility and has the power to appropriate its profits. At the same time, the state also has to bear the losses, if any;

(iii) A statutory corporation is a body corporate and can sue and be sued, enter into contract and acquire property in its own name;

(iv) This type of enterprise is usually independently financed. It obtains funds by borrowings from the government or from the public through revenues, derived from sale of goods and services. It has the authority to use its revenues;

(v) A statutory corporation is not subject to the same accounting and audit procedures applicable to government departments. It is also not concerned with the central budget of the Government;

(vi) The employees of these enterprises are not government or civil servants and are not governed by government rules and regulations. The conditions of service of the employees are governed by the provisions of the Act itself.

Values: (i) Leadership (ii) Motivation (iii) Growth and Development (iv) Independence

24. Explain the problems of small business.

Ans. Problems of small business:

(i) Finance: One of the severe problems faced by SSIs is that of nonavailability of adequate finance to carry out its operations. Generally a small business begins with a small capital base. Many of the units in the small sector lack the credit worthiness required to raise as capital from the capital markets. As a result, they heavily depend on local financial resources and are frequently the victims of exploitation by the money lender

(ii) Raw materials: Another major problem of small business is the procurement of raw materials. If the required materials are not available, they have to compromise on the quality or have to pay a high price to get good quality materials. Their bargaining power is relatively low due to the small quantity of purchases made by them.

Also, they cannot afford to take the risk of buying in bulk as they have no facilities to store the materials.

(iii) Managerial skills: Small business is generally promoted and operated by a single person, who may not possess all the managerial skills required to run the business. Many of the small business entrepreneurs possess sound technical knowledge but are less successful in marketing the output. Moreover, they may not find enough time to take care of all functional activities. At the same time they are not in a position to afford professional managers.

(iv) Quality: Many small business organisations do not adhere to desired standards of quality. Instead they concentrate on cutting the cost and keeping the prices low. They do not have adequate resources to invest in quality research and maintain the standards of the industry, nor do they have the expertise to upgrade technology. In fact maintaining quality is their weakest point, when competing in global markets.

(vii) Capacity utilisation: Due to lack of marketing skills or lack of demand, many small business firms have to operate below full capacity due to which their operating costs tend to increase. Gradually this leads to sickness and closure of the business

25. Explain the following:

- (a) World Bank (b)
Functions of IMF

Ans. **World Bank** : The International Bank for Reconstruction and Development (IBRD), commonly known as World Bank, was result of the Bretton Woods Conference. The main objectives behind setting up this international organisation were to aid the task of reconstruction of the war-affected economies of Europe and assist in the development of the underdeveloped nations of the world. the World Bank is entrusted with the task of economic growth and widening of the scope of international trade. During its initial years of inception, it placed more emphasis on developing infrastructure facilities like energy, transportation and others. No doubt all this has benefited the under-developed nations too, but the results were not found to be very satisfactory due to poor administrative structure, lack of institutional framework and non-availability of skilled labour in these countries.

Functions of IMF : Various functions are performed by the IMF to achieve the aforesaid objectives. Some of the important functions of IMF include:

- Acting as a short-term credit institution;

- Providing machinery for the orderly adjustment of exchange rates;
- Acting as a reservoir of the currencies of all the member countries, from which a borrower nation can borrow the currency of other nations;
- Acting as a lending institution of foreign currency and current transaction;

(iii) Speed: As already noted, much of the buying or selling involves exchange of information that internet allows at the click of a mouse. This benefit becomes all the more attractive in the case of information-intensive products such as softwares, movies, music, e-books and journals that can even be delivered online.

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