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# **BUSINESS STUDIES**

**N-215**

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*Based on*

**N.I.O.S. Class – X**  
National Institute of Open Schooling

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**Sample Preview  
of the  
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# Solved Sample Paper - 1

Based on NIOS (National Institute of Open Schooling)

## Business Studies - X

Time : 3 Hours

Maximum Marks : 100

Note : (i) All questions are compulsory.

(ii) Marks allotted for each question are indicated against it.

### SECTION-A

Q. 1. Which of the following is not an economic objective of business?

- (a) Creation of customers
- (b) Best possible use of resources
- (c) Economic well being of the employees
- (d) Continuous innovations

Ans. (b) Best possible use of resources.

Q. 2. Minimum number of members required to form a Public Company are:

- (a) 2
- (b) 7
- (c) 10
- (d) 20

Ans. (b) 7.

Q. 3. In which of the following forms of organisation, liability of the members is unlimited?

- (a) Private Company
- (b) Public Company
- (c) Cooperative Society
- (d) Partnership

Ans. (d) Partnership.

Q. 4. The limited liability Partnership Act was enacted in the year:

- (a) 1932
- (b) 1956
- (c) 2008
- (d) 2010

Ans. (c) 2008.

Q. 5. Which is not an advantage of rail transport?

- (a) It is relatively faster than road transport.
- (b) It is suitable for carrying heavy goods in large quantities over long distance
- (c) It is a flexible mode of transport
- (d) It is a convenient mode of transport for travelling long distances

Ans. (b) It is suitable for carrying heavy goods in large quantities over long distance.

Q. 6. A trader of India has imported goods from U.S.A. but he is not in a position to pay import duty immediately. In which type of warehouse he can keep the goods?

- (a) Public warehouse
- (b) Government warehouse
- (c) Bonded warehouse
- (d) Cooperative warehouse

Ans. (c) Bonded warehouse.

Q. 7. Newspapers are suitable for advertising:

- (a) Consumer goods designed for general public
- (b) Products required by target customers
- (c) Agricultural products meant for farmers
- (d) Products that require live demonstration to the consumers

Ans. (a) Consumer goods designed for general public.

Q. 8. The Consumer Protection Act was enforced in the year.

- (a) 1972
- (b) 1982
- (c) 1986
- (d) 2002

Ans. (c) 1986.

Q. 9. Wage employment means:

- (a) Doing a business
- (b) Engaging in some economic activity on his own
- (c) Managing an economic activity on his own
- (d) Serving another person for wages or salary

Ans. (d) Serving another person for wages or salary.

Q. 10. Which is true about entrepreneurs?

- (a) They are gamblers
- (b) They depend on others
- (c) They are born not made
- (d) They take risk in converting ideas into action.

Ans. (d) They take risk in converting ideas into action.

Q. 11. Explain the following in reference to E-commerce:

- (a) B2B
- (b) B2C

Ans. Ref.: See Chapter-2, Page No. 21, Q. No. 15 and Q. No. 16.

Q. 12. Explain the term 'Primary Industry' giving any two examples.

Ans. Ref.: See Chapter-2, Page No. 20, Q. No. 3.

Q. 13. State the effect of non-registration of a partnership firm.

**Ans.** The effects of non-registration of partnership firms are:

- Your firm cannot take any action in a court of law against any other party for settlement of claims.
- In case there is any dispute among partners, it is not possible to settle the settlement of claims, through a court of law.
- Your firm cannot claim adjustments for amount payable to or receivable from any other party through a court of law.

**Q. 14. A ship carrying rose flowers to France for Valentine day was insured against losses arising from accident. The ship reached the port safely and on time but the consignment got spoiled due to delay in unloading. Is the insurance company liable to pay the claim of loss? Which principle of insurance is violated? Explain the principle.**

**Ans.** The principle of indemnity is violated.

**Indemnity:** Indemnity means restoring a person to the same position that he was in before the incident occurred. It is applicable in the case of the fire and marine insurance. The aim is that the insured person will not get any profit from the insurance on the happening of the incident that is insured against. Compensation is paid as per the amount of actual loss or the sum insured, whichever is less.

**Q. 15. Explain in brief the following modes of purchase:**

**(a) Purchase by sample**

**Ans. Ref.:** See Chapter-12, Page No. 100, Q. No. 2 (Additional Important Questions).

**(b) Purchase by inspection.**

**Ans. Ref.:** See Chapter-12, Page No. 100, Q. No. 1. (Additional Important Questions).

**Q. 16. Explain the following characteristics of partnership form of organisation:**

**(a) Unlimited liability**

**Ans.** It means all the partners are liable for the debts of the business individually as well as jointly. They can be asked to pay all the liabilities even from their personal properties if required. There is no limit on liabilities.

**(b) Principal Agent Relationship.**

**Ans. Ref.:** See Chapter-3, Page No. 28, Q. No. 11.

**Q. 17. Explain the following types of warehouse:**

**(a) Bonded warehouses**

**Ans.** These warehouses are used to store imported goods for which import duty is yet to be paid. Imported goods are not allowed to take away from the ports till their duty is paid. These warehouses are owned by dock authorities and found near the ports. These warehouses are also owned by private agencies. Private bonded warehouses need to obtain licence from the government.

**(b) Public warehouses.**

**Ans. Ref.:** See Chapter-6, Page No. 51, Q. No. 7.

**Q. 18. Give any four difference between banks and moneylenders.**

**Ans. Ref.:** See Chapter-9, Page No. 78, Q. No. 13.

**Q. 19. A buyer can seek compensation from the manufacturer if the product supplier to him is defective provided he/she takes care of few things after buying. State them.**

**Ans. Ref.:** See Chapter-17, Page No. 139, Q. No. 6.

**Q. 20. Explain wage employment and self employment as career avenues.**

**Ans. Ref.:** See Chapter-19, Page No. 152, Q. No. 10.

**Q. 21. State in brief national objectives of business.**

**Ans. Ref.:** See Chapter-1, Page No. 10, Q. No. 19.

**Q. 22. State any five advantages of Multinational Company.**

**Ans. Ref.:** See Chapter-4, Page No. 37, Q. No. 4.

**Q. 23. State in brief any five functions of a wholesaler.**

**Ans. Ref.:** See Chapter-13, Page No. 106, Q. No. 8.

**Q. 24. Why departmental stores are becoming more and more popular in Indian cities? Give reasons in support of your answer.**

**Ans.** Department stores usually sell products including clothing, furniture, home appliances, toys, cosmetics, gardening, toiletries, sporting goods, do it yourself, paint and hardware and additionally select other lines of products such as food, books, jewellery, electronics, stationery, photographic equipment and baby and pet needs.

**Also Ref.:** See Chapter-14, Page No. 115, Q. No. 9 (Terminal Exercise).

**Q. 25. "NGOs have undertaken various activities as a part of consumer movement. They perform several functions."**

**Ans. Ref.:** See Chapter-18, Page No. 147, Q. No. 9.

**Q. 26. Warehousing is a very important auxiliary to trade. Justify it by explaining its need by giving any four points.**

**Ans. Ref.:** See Chapter-6, Page No. 52, Q. No. 10, Q. No. 2 and Q. No. 4 (Additional Important Questions).

**Q. 27. Explain 'granting of loans' and 'granting of advances' as a function of commercial bank.**

**Ans. Grant of loans and advances:** One important function of a commercial bank is to grant loans and advances. Such loans and advances are given to members of the public and to the business community at a higher rate of interest than allowed by banks on various deposit accounts.

**(i) Loans:** A loan is granted for a specific time period. Generally commercial banks provide short-term loans. But term loans, i.e., loans for more than a year may also be granted. The borrower may be given the entire amount in lump sum or in instalments. Loans are generally granted against the security of certain assets. A loan is normally repaid in

# **Sample Preview of The Chapter**

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# BUSINESS STUDY

Based on NATIONAL INSTITUTE OF OPEN SCHOOLING – X

## MODULE-1

## Introduction to Business



### Nature and Scope of Business

#### SUMMARY

We all are busy with various types of activities to satisfy our wants. These human activities can be categorized as: (i) Economic activities, and (ii) Non-economic activities.

- (i) **Economic activities:** These activities are performed with an aim to earn money. Examples of economic activities are: A farmer grows sugarcane to sell them and a factory worker works to get wage.
- (ii) **Non-economic activities:** These activities are performed not to earn money but to get some satisfaction. Non-economic activities are performed to discharge social obligation or for recreation. Examples of non-economic activities are: People going on a pilgrimage, engaging in sports activities and listening to radio.

**Types of Economic Activities:** People engaged in various activities on a regular basis and are said to be involved in their occupation. Economic activities can be categorized into three broad types: Business, Profession and Employment.

- (i) **Business:** Business is an occupation in which goods and services are produced and sold with an objective to make profit. Examples of business are manufacturing, trading, transporting, storing and banking.
- (ii) **Profession:** Profession is an occupation which requires specialized knowledge and training

to pursue it. The primary objective of every profession is to offer service. Most of the professions are regulated by a professional body. Every profession has also a code of conduct developed by its professional body.

- (iii) **Employment:** Employment is an occupation in which a person works to earn wages/salary. Examples of employment are people working as government servants, company executives, bank officials and factory workers.

**Meaning of Business:** Business refers to an activity involving regular production or purchase of goods and services for sale, transfer and exchange with an object of earning profit. Business is undertaken on a regular basis with an aim to earn profit through production, distribution and sale or purchase of goods and services. People are engaged business such as transportation of goods and passengers, banking, insurance, advertising and supply of electricity. These are all service activities.

**Characteristics of Business:** The characteristics of business are:

**Deals in goods and services:** Businesses deals in production and distribution of goods and services. The goods include consumer goods such as soap, bread and tea and capital goods like plant and machinery. The services include banking, transportation, insurance, advertising and warehousing.

**Sale or exchange of goods and services:** In business, goods and services produced or purchased must be exchanged for money or for goods between the buyers and sellers. The activities without sale or exchange of goods cannot be called business.



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**Regular exchange of goods and services:** Business is carried out on a regular basis. An isolated transaction is not called as business. For example, if Amit sold his old car to Suresh is not a business unless he continues to buying and selling of old cars regularly.

**Requires investment:** Business requires some amount of investment in terms of land, labour and capital. These resources are utilized to produce goods and services.

**Aims at earning profit:** The objective of every business is to earn an income by way of profit. Without profit no business activity can be performed for a long period.

**Involves risk and uncertainty of income:** Every business faces risk of loss and uncertainty in earnings.

**Evolution of Business:** India had been a well developed country in terms of its economy and business. The Indian civilization was agriculture based, but there was also flourishing trade and commerce both inside and outside the country. The country contributed a lot to the world of business in different fields. It had a unique, innovative, dynamic and qualitatively superior economy compared to many other countries during that time. This has been proved by excavations, written records, literature and India's immense wealth that attracted several foreigners to attack the country. Earlier people in India used to produce whatever they required for their self-consumption. Later on, needs of the people increased and so did the production. They could produce surplus items. So, a system of exchanging surplus items with the items they need was evolved. This was the starting of trade. In the field of trade and commerce, Indian journey started as back as 5000 B.C.

**Classification of Objectives of Business:** Business activities are performed with certain objectives. These objectives may be classified in the following ways:

**Economic Objectives:** Economic objectives mean the objective of earning profit and other objectives required to fulfil the profit objective that includes creation of customers, regular innovations and the best possible use of resources.

**Profit Earning:** Profit making is the primary objective of every business. Profits help business owners to earn their living and to expand their business activities by reinvesting a part of the profits. To achieve profit-making objective, some other objectives are required to be fulfilled. They are as follows:

**Creation of customers:** A business needs customers to sell its products and services. To increase its customer base, a businessman has to first provide

quality goods and services at a reasonable price. A business also needs to promote its products through marketing activities.

**Continuous innovations:** Business needs to be innovative to be successful in a competitive market. Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Innovation also leads to reduction in cost and increase in sales. All these result in more profit.

**Best possible use of resources:** Business requires various resources such as men, materials, money and machines. It will earn more profit if it makes the best possible use of all its resources.

**Social Objectives:** Social objectives of business refer to objectives to perform for the benefit of the society. No activity of the business should be aimed to create problem for the society. Social objectives are production and supply of quality goods and services, adoption of fair practices and contribution to the general welfare of society.

**Human Objectives:** Human objectives are the objectives to work for the well-being and fulfillment of expectations of employees and the people who are disabled and deprived of proper education. The human objectives include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

**National Objectives:** National objectives of business mean the objective to work to fulfil national goals and aspirations. The national objectives of business are as follows:

**Creation of employment:** Business should aim to create employment opportunities. They can achieve this objective by setting up new business units, expanding markets and widening distribution channels.

**Promotion of social justice:** A business should provide equal opportunities to all the employees to work and progress. Weaker and backward sections of the society may need more attention and support.

**Production according to national priority:** Keeping in view the policies of the Government, businesses should produce goods and services. For example, one of the national objectives of business in our country is to increase the production and supply of essential commodities at reasonable prices.

**Contribute to the revenue of the country:** The business should contribute to the revenue of the country by paying taxes and dues honestly.

**Self-sufficiency and export promotion:** Business units should restrict import of goods to help the country to become self-reliant. Every business unit should aim at improving exports as it would add to the country's foreign exchange reserves.

**Global Objectives:** Global objectives refer to the objectives of business units to face the competition in the global market. Globalization has resulted in more competition among businesses. Goods now produced in one country are available in other countries. Some of the global objectives are discussed below:

**Raise general standard of living:** Business units should aim to produce quality goods at reasonable prices so that the standard of living of people can be improved globally.

**Reduce disparities among nations:** Businesses should help reduce disparities among the rich and poor countries of the world by expanding their operation. They should invest in developing and underdeveloped countries to foster their industrial and economic growth.

**Social Responsibility of Business:** Business units should not have only profit-making objective. They must take care of the stakeholders such as the owners, investors, employees, consumers, government and community who are instrumental in securing its existence and survival. Business must work for their benefit also. For instance, business units must ensure a satisfactory rate of return to investors, provide good salary, security and proper working condition to their employees, make available quality products at reasonable price to its consumers and maintain the environment properly.

Social responsibility discourages business units from adopting unfair means like hoarding, adulteration, black-marketing, tax evasion and cheating customers to make profit. The business should aim to earn profit through judicious management of the business, providing better working conditions to employees and offering better products, after sales-service to its customers. It should also simultaneously work to control pollution and conserve natural resources.

**Responsibility towards Different Interest Groups (Obligations of Business):** A business has various responsibilities towards different groups with whom it interacts such as owners, investors, employees, suppliers, customers, competitors, government and society. These groups get affected by each and every activity of business.

**Environmental Pollution and Role of Business:** Environmental pollution is contamination of environment by various substances that have adverse effects on living and non-living matters. Every business must take measures to protect the environment. Environmental pollution is of three types: Air Pollution, Water Pollution and Land Pollution

**Air Pollution:** Air pollution is the presence of any unwanted gases and dust particles in the air which cause damage to people as well as nature.

**Causes of Air Pollution:** Air gets polluted by:

- (a) Fumes from vehicles;
- (b) Smoke, dust and chemicals from manufacturing plants;
- (c) Gases and dust arising from atomic plants; and
- (d) Smoke from oil refineries, burning of trees and plants.

**Impact of Air Pollution:** The following are some of the impact of air pollution:

- (i) Unwanted gases in air cause serious health problems.
- (ii) Air pollution creates smog in the winter reducing natural visibility and irritates the eyes and respiratory tract.
- (iii) Ozone layer, which protects us from harmful ultraviolet rays that come from the sun, gets depleted due to air pollution and thus causes genetic defects and skin cancer.
- (iv) Air pollution raises the earth temperature as whatever heat our earth receives from the sun is not radiated to the atmosphere because of the excessive presence of gases such as carbon dioxide, methane and nitrous oxide.
- (v) Air pollution causes acid rain that causes lot of damage to vegetation, trees and marine life, buildings and monuments.

Environment also gets polluted due to excessive noise, called noise pollution. Noise is an unwanted sound that causes irritation. It is caused by modern machines and gadgets. It distorts communication process. Prolonged exposure to noise pollution can cause loss of hearing, headache and irritation.

**Water Pollution:** Water pollution is contamination of water with unwanted and harmful substances.

**Causes of Water Pollution:** Water gets polluted by:

- (a) Dumping of industrial wastes;
- (b) Drainage of toxic substances used in cultivation;
- (c) Drainage of human excreta into rivers and canals;

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- (d) Improper sanitation and sewage system; and
- (e) Dumping of garbage into the nearby water sources by households.

**Effects of Water Pollution:** The effects of water pollution are:

- (a) health hazards among human beings and animals;
- (b) endanger lives of various aquatic species; and
- (c) results in scarcity of drinking water.

**Land Pollution:** Land pollution is dumping of useless, unwanted and hazardous substances on the land that degrades the quality of soil.

**Causes of Land Pollution**

- (a) Disposal of solid waste from construction of roads and buildings;
- (b) Effluents of plants which are not absorbed by soil;
- (c) Excessive use of fertilizers, chemicals and pesticides in farming;
- (d) Disposal of waste from industries, mines and quarries;
- (e) Excessive use of plastic bags;
- (f) Dumping of non-composable wastes from households, hotels and hospitals.

**Effects of Land Pollution**

- (a) Reduces cultivable land area.
- (b) Results in water and air pollution.
- (c) Causes health hazards.
- (d) Causes damage to the landscape.

**Role of Business in Environmental Pollution**

Business contributes to all type of pollution. They cause pollution in the following ways:

- (a) Disposal of industrial wastes;
- (b) Emission of gas and smoke from plants;
- (c) Machines and vehicles contribute to noise pollution;
- (d) Deforestation due to use of forest lands for setting up plants;
- (e) Growth of urbanization and industrialization;
- (f) Mining and quarrying activities; and
- (g) Increase use of transport.

**INTEXT QUESTIONS 1.1**

**Q. 1. State whether the following statements are true or false, by writing 'T' against true statement and 'F' against false statement.**

- (a) A doctor attending to patient in his clinic is engaged in an economic activity.
- (b) A mother stitching clothes for her children is engaged in an economic activity.

- (c) A tailor stitching clothes for his customers is engaged in an economic activity.
- (d) Distributing food to beggars outside the temple is a non-economic activity.
- (e) Sachin Tendulkar playing cricket for the country is performing a non-economic activity.

**Ans.** (a) T, (b) F, (c) T, (d) T, (e) F.

**Q. 2. In the following list of activities, state which are economic activities and which are non-economic activities.**

- (i) Playing football with friends
- (ii) Teaching in a school
- (iii) Attending to one's relative who is unwell
- (iv) Listening to radio
- (v) Selling fruits and vegetables in the local market
- (vi) Preparing food at home
- (vii) Working in an office.

**Ans.** (i) Non-economic (ii) Economic (iii) Non-economic (iv) Non-economic (v) Economic (vi) Non-economic (vii) Economic.

**INTEXT QUESTIONS 1.2**

**Q. 1. Fill in the blanks with suitable words:**

- (i) The economic activity in which one is engaged on regular basis is called his/her .....
- (ii) A professional requires ..... and training in a particular field.
- (iii) The occupation in which people work for others and earn fixed income is called .....
- (iv) A professional body regulates every profession by laying down the ..... for all professionals.
- (v) The terms and conditions of employment are decide by the .....

**Ans.** (i) occupation (ii) specialized knowledge (iii) employment (iv) code of conduct (v) employer.

**Q. 2. Match the phrases in column A with those in column B:**

Column A	Column B
(a) Primary objective of business	(i) Special skill
(b) Primary objective of profession	(ii) Making profit
(c) Essential requirement for a profession	(iii) Profession
(d) Occupation of a Chartered Accountant	(iv) Providing service

**Ans.** (a) (ii), (b) (iv), (c) (i), (d) (iii).