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# **BUSINESS STUDIES**

**N-319**

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*Based on*

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

*By: Prieti Gupta*



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Content

# **BUSINESS STUDIES**

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**Sample Preview  
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Papers**

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# Solved Sample Paper - 1

Based on NIOS (National Institute of Open Schooling)

## BUSINESS STUDIES

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**Time: 3 Hours ]**

**[ Maximum Marks : 100**

**General Instructions:** This question paper consists of four sections, viz., A,B,C and D. Section-A has multiple choice questions (Q. 1-50) carrying 1 mark each. Choose the correct answer from the four options given. Section-B (Q. 51-56) are very short answer questions carrying 2 marks each. Answers to each question should not exceed 30 words. Section-C (Q. 57-62) are short answer questions carrying 3 marks each. Answers to each question should not exceed 60 words. Section-D (Q. 63-66) are long answer questions carrying 5 marks each. Answer to this question should not exceed 150 words.

### SECTION-A

**Q. 1. In Sole Proprietorship, 'sole' means:**

- (a) Soul
- (b) Single
- (c) Solution
- (d) Specific

**Ans. (b) Single.**

**Q. 2. When funds are required for a period of one year to five years, it is**

- (a) Short-term Capital
- (b) Medium-term Capital
- (c) Long-term Capital
- (d) None of the above

**Ans. (b) Medium-term Capital.**

**Q. 3. MRP stands for**

- (a) Maximum Retail Price
- (b) Minimum Retail Price
- (c) Marketing Research Project
- (d) None of the above

**Ans. (a) Maximum Retail Price.**

**Q. 4. A voluntary association of persons, with a large and fluctuating membership.**

- (a) Sole proprietorship
- (b) Partnership
- (c) Joint Hindu Family
- (d) Joint Stock Company

**Ans (d) Joint Stock Company.**

**Q. 5. On the basis of volume, market can be termed as**

- (a) International Market
- (b) Wholesale Market
- (c) Stock Market
- (d) Regional Market

**Ans. (b) Wholesale Market.**

**Q. 6. Which sequence is correct**

- (a) Producer, Retailer, Wholesaler, Consumer
- (b) Producer, Wholesaler, Retailer, Consumer

- (c) Wholesaler, Producer, Retailer, Consumer
- (d) All the above

**Ans. (b) Producer, Wholesaler, Retailer, Consumer.**

**Q. 7. Demand Deposit is another name for:**

- (a) Saving Deposit
- (b) Current Deposit
- (c) Fixed Deposit
- (d) Recurring Deposit

**Ans. (b) Current Deposit.**

**Q. 8. The harmonization of the activities of different work groups and departments.**

- (a) Directing
- (b) Controlling
- (c) Coordination
- (d) Organizing

**Ans. (c) Coordination.**

**Q. 9. PLFS stand for**

- (a) Public Law Firm of Self employment
- (b) Periodic Labour Force Survey
- (c) Promotion of Legislations for Self employment
- (d) Private Labour Force Survey

**Ans. (b) Periodic Labour Force Survey.**

**Q. 10. When plans are made for a specific period followed by new plans for a further period indicates that:**

- (a) Planning is an Intellectual Activity
- (b) Planning is Pervasive
- (c) Planning is a Continuous process
- (d) Planning is Goal Directed

**Ans. (c) Planning is a Continuous process.**

**Q. 11. It includes variety, quality, design, features, warranties and return, related with the Product**

- (a) Product Characteristics
- (b) Branding
- (c) Packaging
- (d) Labelling

**Ans. (a) Product Characteristics.**

**Q. 12. In India formulation of policies concerning external trade comes under**

- (a) Ministry of Commerce and Industry
- (b) External affair ministry
- (c) Ministry of Foreign Services
- (d) RBI

**Ans. (a)** Ministry of Commerce and Industry.

**Q. 13. Skill India is launched by**

- (a) Draupadi Murmu
- (b) Narendra Modi
- (c) A.P.J. Kalam
- (d) Atal Bihari Vajpayee

**Ans. (b)** Narendra Modi.

**Q. 14. The formula used to calculate Working Capital is-**

- (a) Current assets – Current liabilities
- (b) Current liabilities – Current assets
- (c) Inventory/Current liabilities
- (d) Current liabilities/Inventory

**Ans. (a)** Current assets – Current liabilities.

**Q. 15. PMKVY stands for**

- (a) Pradhan Mantri Kaushal Vikas Yojana
- (b) Pradhan Mantri Kala Vigyaan Yojana
- (c) Pradhan Mantri Karigari Vikas Yojana
- (d) Pradhan Mantri Kendriya Vikas Yojana

**Ans. (a)** Pradhan Mantri Kaushal Vikas Yojana.

**Q. 16. In online buying the buyer drops the item selected in a \_\_\_\_\_.**

- (a) Shopping cart
- (b) Shopping box
- (c) Net card
- (d) None of the above

**Ans. (a)** Shopping cart.

**Q. 17. CII stands for**

- (a) Chamber of Indian Institutions
- (b) Chamber of Industrial Institutions
- (c) Commerce and Industry of India
- (d) Confederation of Indian Industry

**Ans. (d)** Confederation of Indian Industry.

**Q. 18. Give the full form of the following abbreviations:**

- (a) IFCI
- (b) SFC
- (c) ADR
- (d) GDR
- (e) FDI

**Ans. (a)** Industrial Finance Corporation of India.

(b) State Financial Corporation.

(c) American Depository Receipt.

(d) Global Depository Receipt.

(e) Foreign Direct Investment.

**Q. 19. Professionals get a \_\_\_\_\_ for their services.**

- (a) Salary
- (b) Fee
- (c) Concession
- (d) None of the above

**Ans. (b)** Fee.

**Q. 20. Which of the following can be formed to run the business for an indefinite period.**

- (a) Limited Partnership
- (b) Legal Partnership
- (c) Partnership at Will
- (d) Illegal Partnership

**Ans. (c)** Partnership at Will.

**Q. 21. \_\_\_\_\_ refers to development of standards for production of goods with respect to shape, design, colour and other characteristics**

- (a) Standardisation
- (b) Grading
- (c) Branding
- (d) Packaging

**Ans. (a)** Standardisation.

**Q. 22. Sandeep inserts his ATM card in Machine and by using his PIN, he received his transaction statement. Which type of banking service Sandeep used?**

- (a) Traditional banking
- (b) E-banking
- (c) Both (a) and (b)
- (d) None of the above

**Ans. (b)** E-banking.

**Q. 23. The government of India introduced a radical change in economic policies in:**

- (a) 1979
- (b) 1985
- (c) 1991
- (d) 2001

**Ans. (c)** 1991.

**Q. 24. The process of eliminating unnecessary controls and restrictions on the smooth functioning of business enterprises.**

- (a) Privatisation
- (b) Liberalisation
- (c) Globalisation
- (d) Commercialisation

**Ans. (b)** Liberalisation.

**Q. 25. Financial decisions involve**

- (a) Dividend decisions
- (b) Investment decisions
- (c) Working capital decisions
- (d) All the above

**Ans. (d)** All the above.

**Q. 26. Decision relating to long-term investment in fixed assets**

- (a) Working capital decision
- (b) Dividend decisions
- (c) Capital budgeting decision
- (d) None of the above

**Ans. (c)** Capital budgeting decision.

**Q. 27. Consumer is directly linked with**

- (a) Producer
- (b) Wholesaler
- (c) Retailer
- (d) None of the above

**Ans. (c)** Retailer.

**Q. 28. Small manufacturing units producing simple products involving skill related handicrafts, filigree etc. comes in**

- (a) Ancillary Industrial Undertakings
- (b) Village Industries
- (c) Cottage Industries
- (d) Trading Units

**Ans. (c)** Cottage Industries.

**Q. 29. National Consumers Day is celebrated on**

- (a) 15 March
- (b) 20 August

# **Sample Preview of The Chapter**

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# BUSINESS STUDIES

## Nature and Scope of Business

1

### INTRODUCTION

In your day-to-day life you may be engaged in several activities. However, when someone asks you like what you want to become in your life or what you want to do in future, your answer may be “I want to join a suitable job or I want to be a doctor, an engineer, a dancer or a musician or you might say ‘I want to do my own business’.

Every human being is constantly busy in one activity or the other in order to satisfy his/her needs and desires. Human needs are unlimited, whereas the resources available to satisfy these needs are limited. Therefore, people are busy in satisfying their needs throughout their lives.

All human activities can be classified into two broad categories:

- (a) Economic activities,
- (b) Non-economic activities.

Everybody remains busy in some activity or the other, viz.

- (a) Some people are busy in buying and selling things,
- (b) Some people are busy in the profession of law,
- (c) Some people are busy in treating patients,
- (d) Some people are working in factories,
- (e) Some people are busy in serving the country, and
- (f) Some people are busy in preaching people.

All the above mentioned activities are called human activities. If we look at these activities carefully, they can be divided into two parts. The activities mentioned above from (a)-(d) are undertaken to earn money and are called economic activities, however, there are some other activities which are meant for mental satisfaction

and these are called non-economic activities. (e) & (f) activities mentioned above are examples of non-economic activities.

### INTEXT QUESTIONS 1.1

**Q. 1. Define ‘Economic Activities’.**

**Ans.** Economic activities are those activities which are undertaken to earn a living. For example, a college teacher, a clerk in an office, a factory worker, a shopkeeper who sells goods in his shop and a doctor who attends patients in his clinic to earn money. These activities are concerned with the production and distribution of goods and services, which are used to satisfy human wants. When a person is regularly engaged in an economic activity, it is called his/her occupation. Occupations or economic activities are of three kinds:

- (a) Business,
- (b) Profession, and
- (c) Employment.

Thus, there are three essential features of economic activities:

- (a) Objective of economic gain,
- (b) Creation of utilities through provision of goods and services, and
- (c) Satisfaction of other people’s needs.

Only when all the above mentioned conditions are satisfied, that activity is called an Economic Activity.

**Q. 2. Below are given certain non-economic activities. Convert them into economic activities.**

**Example:** A nurse attending her ailing son. (Non-economic activity)

A nurse attending patients in her hospital. (Economic activity)



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- (a) A person working in his own garden.
- (b) A lady preparing food for her husband.
- (c) A man white-washing his own house.
- (d) A teacher teaching his son at home.
- (e) A chartered accountant preparing his own accounts.

- Ans.** (a) A person working in a school garden.  
 (b) A lady preparing food in a restaurant.  
 (c) A man white-washing the building of a trade centre.  
 (d) A teacher teaching students in a school.  
 (e) A chartered accountant preparing accounts of a firm.

- (d) A taxi-driver who runs his own taxi.
- (e) A fisherman selling fish in a village.
- (f) Gopal stitching cloth of the customers regularly at home.
- (g) A daily-wager working in a factory.
- (h) A gardener maintaining the lawns in a college.
- (i) A lawyer practising in a court.
- (j) An engineer running his consultancy firm.

Business	Profession	Employment
○ ○ ○ ○	○ ○ ○ ○	○ ○ ○ ○
○ ○ ○ ○	○ ○ ○ ○	○ ○ ○ ○

**Ans.**

Business	Profession	Employment
(d) (e) (f)	(i) (j) ○	(a) (b) (c)
○ ○ ○	○ ○ ○	(g) (h) ○

**INTEXT QUESTIONS 1.2**

**Q. 1. Define the term 'Profession' in your own words.**

**Ans.** Profession may be defined as an occupation which involves the rendering of personal services of a specialised nature on the basis of professional knowledge, education and training. People engaged in professions are called professionals. For example, the services rendered by doctors, lawyers and chartered accountants comes under the category of profession.

In other words, profession is an economic activity, which involves, giving of personal services of a special and expert nature. The persons providing such services are called 'Professionals'. For their special services rendered, they charge fees which is their income. For example doctors, teachers, lawyers, engineers and accountants are engaged in profession. Profession involves intellectual activity. It is not mechanical or routine operation.

The main characteristics of profession are:

- (i) Every profession requires special knowledge and training.
- (ii) The primary objective is to render service.
- (iii) The service cannot be substituted by another individual.
- (iv) Every profession is regulated by a professional body. For example, the profession of Chartered Accountants is regulated by the Institute of Chartered Accountants of India.

**Q. 2. Following is a list of activities. Classify these activities as Business, Profession or Employment by putting their number in the circles provided at the end of the question.**

- (a) Policeman on duty at your local police station.
- (b) Teacher working in an educational institution.
- (c) A driver driving a bus of a State Road Transport Corporation.

**INTEXT QUESTIONS 1.3**

**Q. 1. Mohan has recently completed his MBBS course. He finds difficulty in choosing his occupation. Guide him by filling up the following table:**

If he chooses	What should he do?	What will he get as return?
(a) Business		
(b) Profession		
(c) Employment		

**Ans.**

If he chooses	What should he do?	What will he get as return?
(a) Business	May open a chemist shop Or Start a company to manufacture medicines	Profit
(b) Profession	Start his own clinic	Free
(c) Employment	Get the job in a hospital	Salary

**Q. 2. Correct the following sentences, if necessary:**

- (a) Business minimizes opportunities to work and, thus, generates employment in the country.
- (b) By producing and exporting quality goods and services, the national image of a country goes down.

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- (c) Business objectives should concentrate on profit earning only.
- (d) Creation of employment opportunities and paying taxes and other dues honestly to the government are the national objectives of a business.
- (e) A businessman, should prepare a false opportunities statement of accounts in order to save taxes.

**Ans.** (a) Business maximises opportunities to work and thus, generates employment in the country.

(b) By producing and exporting quality goods and services, the national image of a country improves.

(c) Business objectives should not concentrate only on profit earning.

(d) No correction required.

(e) The businessmen should prepare the true statement of accounts and pay the taxes honestly.

**Q. 3. Identify the causes of business risk in following causes:**

(i) X Ltd. suffered a loss due to bursting of boiler:

- (a) Natural cause                      (b) Political cause
- (c) Physical cause                      (d) Economic cause

(ii) Auditor identified misappropriation of cash by a group of worker in Y Ltd.

- (a) Natural cause                      (b) Human cause
- (c) Physical cause                      (d) Political cause

(iii) Suzuki Ltd. suffered a loss due to tsunami

- (a) Natural cause                      (b) Human cause
- (c) Economic cause                      (d) Political cause

**Ans.** (i) (c) Physical cause, (ii) (b) Human cause, (iii) (a) Natural cause.

**INTEXT QUESTIONS 1.4**

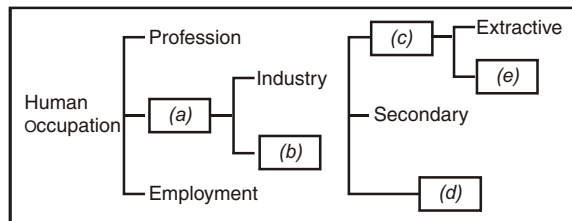
**Q. 1. Below are given certain groups of industries. In each group, one industry does not match with the group. Find out that industry and underline it. The first one has been done for you. In this all industries except textile belong to extractive industries.**

- (a) Agriculture, forestry, textile, fishery.
- (b) Dams, roads, canals, cement.
- (c) Poultry farming, hunting, mining, forestry.
- (d) Iron & steel, textile, chemical works, pisciculture.
- (e) Oil exploration, agriculture, dairy farming, hunting.
- (f) Floriculture, films, transport, banking.

**Ans.** (b) Cement                      (c) Poultry farming

- (d) Pisciculture                      (e) Dairy farming
- (f) Floriculture.

**Q. 2. Complete the following Chart:**



**Ans.** (a) Business                      (b) Commerce  
 (c) Primary                      (d) Tertiary  
 (e) Genetic.

**INTEXT QUESTIONS 1.5**

**Q. 1. Give one word substitute for the following sentences:**

- (a) The process of exchange and distribution of goods and services.
- (b) Buying and selling of goods and services.
- (c) Buying and selling of goods in large quantities.
- (d) Import of goods for exporting.
- (e) Buying and selling of goods between different countries.

**Ans.** (a) Commerce                      (b) Trade  
 (c) Wholesale trade                      (d) Entrepot  
 (e) External trade

**Q. 2. Complete the following incomplete words by taking clues from the statements given for each. Every blank represents one letter only. First one has been done for you.**

- (a) \_\_\_ M M \_\_\_ C \_\_\_ (COMMERCE)
- (b) \_\_\_ A \_\_\_ E
- (c) W \_\_\_ H \_\_\_ IN \_\_\_
- (d) \_\_\_ X \_\_\_ T
- (e) E \_\_\_ E \_\_\_ T
- (f) \_\_\_ H \_\_\_ E \_\_\_ E
- (g) \_\_\_ T \_\_\_ L

**Clues:**

- (a) All activities that facilitate availability of goods and services for consumption.
- (b) Buying and selling of goods.
- (c) Storage of goods whether raw material or finished goods.
- (d) Selling of goods to foreign countries.
- (e) A company of one country buys goods from a company of another country to be sold to a company of some third country.
- (f) Goods are bought and sold in bulk quantities.
- (g) Goods are sold in small quantities to consumer.

- Ans.** (b) TRADE  
(c) WAREHOUSING  
(d) EXPORT  
(e) ENTREPOT  
(f) WHOLESALE  
(g) RETAIL.

### TERMINAL QUESTIONS

#### VERY SHORT ANSWER QUESTIONS

**Q. 1. What is meant by 'human activity'?**

**Ans.** Any activity that a human being performs to meet his requirement is called human activity. Human needs can be related to money as well as mental satisfaction. On this very basis they can be divided into the following two parts:

**(a) Economic Activities:** Those activities whose objective is to earn money are called economic activities. They include buying and selling of things, doing legal practice, working in some factory.

Economic activities are of the following types:

**1. Business:** Business means buying and selling of goods and services with a view of earning money. For example, a cloth-shop, transport company, etc. In the cloth shop things are bought and sold and transport company does the same in respect of services. A transport company does not sell and buy goods, but offers services for transporting goods from one place to another and charges carriage.

**2. Profession:** A profession means personal services on the basis of special knowledge of a special type. This includes legal practice, medical practice, etc.

**3. Employment:** Employment is a kind of contract under which one works for others in lieu of remuneration. For example, working in factories, government offices, etc.

**(b) Non-Economic Activities:** Non-economic activities are those activities whose objective is not to earn money. For example, propagating religion, serving the country, etc.

**Q. 2. Define the term 'occupation'.**

**Ans. Occupation or Vocation:** Vocation means a way of living for which one has special skill. Type-writing, tailoring, laundering, etc. are some examples of vocation, or in other words:

Those activities which are undertaken to earn a living. For example, a college teacher, a clerk in an office, a factory worker, a shopkeeper who sells goods in his shop and a doctor who attends patients in his clinic to earn money. These activities are concerned with the production and distribution of goods and services,

which are used to satisfy human wants. When a person is regularly engaged in an economic activity, it is called his/her occupation.

**Q. 3. State the meaning of 'Genetic industry'.**

**Ans.** The term 'genetic' has been derived from the word 'genetics' which refers to the study of heredity. Genetic industries are, therefore, engaged in the reproduction or multiplication of certain species of plants and animals. Examples of genetic industries are:

- (a) Nurseries where plants are grown for sale.
- (b) Poultry farms where birds are raised for meat and eggs.
- (c) Animal husbandry. e.g. rearing of cattle for milk, grazing of sheep for wool and other cattle breeding farms.
- (d) Pisciculture or growing fish in ponds, canals and rivers.
- (e) Orchards to grow different kinds of fruits.
- (f) Commercial kernels.
- (g) Agriculture or farming for growing crops.

**Q. 4. Explain Commerce.**

**Ans.** Commerce is concerned with the distribution of produced goods and services from the point of production to the point of ultimate consumption. Commerce include all functions, that are essential for maintaining a smooth and uninterrupted flow of goods and services to the customers.

**Q. 5. What is 'Trade'?**

**Ans.** Trade means buying and selling of goods. It involves the exchange of commodities for money or money's worth. It is the means by which people sell those goods which they do not need. Traders serve as the links between producers and consumers. They help in directing the flow of goods to the most profitable markets. They also bring about an equitable distribution of goods. In the absence of traders, producers will have to go in search of consumers. Trade is the nucleus of commerce. Other parts of commerce such as transport, insurance, warehousing, banking and advertising revolve around trade.

Trade may be classified into home trade and foreign trade. Home trade may further be sub-divided into wholesale trade and retail trade. Similarly, foreign may be sub-divided into imports, export and entrepot trade.

**Q. 6. What do you mean by 'Auxiliary to trade'?**

**Ans.** The activities that ensure smooth flow of goods to customers are known as 'Auxiliaries to trade'. The activities include transportation, Warehousing, Insurance, Banking, Communication, Advertising etc.