



INDIAN SCHOOL AL WADI AL KABIR
DEPARTMENT OF COMMERCE
ASSESSMENT 2 -XII 2025-26- ANSWER KEY
BUSINESS STUDIES (054)

Date: 30/11/2025

Time: 3 hours

Marks: 80

Q. NO	ANSWERS	MARKS
1	Analytical Industry (b)	1
2	Capital subscription (a)	1
3	Co-parceners (c)	1
4	Public private partnership (c)	1
5	Both A and R are true and R is the correct explanation of A. (a)	1
6	e-delivery (b)	1
7	All of the above (d)	1
8	Market standing (b)	1
9	A is incorrect, but R is correct (d)	1
10	Producers' co-operative society (c)	1
11	VSAT (a)	1
12	ii , i , iv , iii (b)	1
13	Code (b)	1
14	Working capital (a)	1
15	Financial institutions (c)	1
16	Profit (d)	1
17	All the above (d)	1
18	Multinational companies (c)	1
19	Discretionary responsibility (c)	1
20	Control and power of existing owners (b)	1

21	<p>a. Statutory Corporations (Explanation) 1 Mark (with explanation)</p> <p>b. Limitations – (i) In reality, a statutory corporation does not enjoy as much operational flexibility as stated above. All actions are subject to many rules and regulations; (ii) Government and political interference has always been there in major decisions or where huge funds are involved; (iii) Where there is dealing with public, rampant corruption exists; (any two relevant points 1 mark each)</p>	1
22	<ol style="list-style-type: none"> 1. Floods destroyed raw materials (₹15 lakhs) Natural causes (Explain) 1 Mark. 2. Workers' strike halted production- Human causes (Explain) 1 Mark competitors reduced prices by 20%, - Economic Causes (Explain) 1 Mark 3. An accountant embezzled ₹5 lakhs- Human causes (Explain) 1 Mark 4. GST rates increased from 5% to 12% - Economic Causes 5. Machine breakdown stopped production for three days- Other/Human causes 	3
23	<p>Trade credit Commercial banks Factoring 3 Points with relevant explanation 1 Mark each (3)</p>	3
24	<p>Arguments against social responsibility.</p> <ol style="list-style-type: none"> 1. Violation of profit maximisation objective: 2. Burden on consumers: 3. Lack of social skills 4. Lack of broad public support: 	3
25	<ol style="list-style-type: none"> (i) Equity shares are suitable for investors who are willing to assume risk for higher returns; (ii) Payment of dividend to the equity shareholders is not compulsory. Therefore, there is no burden on the company in this respect; (iii) Equity capital serves as permanent capital as it is to be repaid only at the time of liquidation of a company. As it stands last in the list of claims, it provides a cushion for creditors, in the event of winding up of a company; (iv) Equity capital provides credit worthiness to the company and confidence to prospective loan providers; (v) Funds can be raised through equity issue without creating any charge on the assets of the company. 	4

	(Any 4 points 1 mark each= 4 Marks)													
26	<p>Tech Start Solutions Pvt. Ltd.- Private Company (1/2 mark for identification)</p> <p>Mega Corp Industries Ltd. – Public Company (1/2 mark for identification)</p> <table border="1"> <thead> <tr> <th></th> <th>Private company</th> <th>Public company</th> </tr> </thead> <tbody> <tr> <td>Minimum number of directors</td> <td>2</td> <td>3</td> </tr> <tr> <td>Invitation to public to subscribe shares</td> <td>Cannot invite public to subscribe shares</td> <td>Can invite public to subscribe shares</td> </tr> <tr> <td>Transfer of shares</td> <td>Restriction on transfer</td> <td>No restriction</td> </tr> </tbody> </table> <p>3 differences – 1 mark each (3 marks)</p>		Private company	Public company	Minimum number of directors	2	3	Invitation to public to subscribe shares	Cannot invite public to subscribe shares	Can invite public to subscribe shares	Transfer of shares	Restriction on transfer	No restriction	4
	Private company	Public company												
Minimum number of directors	2	3												
Invitation to public to subscribe shares	Cannot invite public to subscribe shares	Can invite public to subscribe shares												
Transfer of shares	Restriction on transfer	No restriction												
27	<p>a. Identify and explain the form of business.- Joint venture- When two businesses agree to join together for a common purpose and mutual benefit, it gives rise to a joint venture.</p> <p>b. Explain any three benefits of such form of business.</p> <p>i) Increased resources and capacity: ii) Access to new markets and distribution networks: iii) Access to technology iv) Low cost of production</p> <p>(Any 3 merits with relevant explanation – 1 mark each)</p>	4												
28	<p>1. Cash on Delivery 2. Cheque 3. Net banking transfer 4. Credit/ debit cards 5. Digital cash</p> <p>(any four points with relevant explanation – 1 mark each)</p>	4												
29	<p>1. Owners 2. Employees 3. Consumers 4. Government and community</p> <p>(4 Points with relevant explanation – 1 mark each)</p>	4												
30	<p>1. He deposited ₹50,000 in his savings account- Acceptance of deposits: 2. withdrew ₹10,000 through a cheque- Cheque facility. 3. The bank manager also helped him pay his son's school fees through online transfer - Remittance of funds: 4. Gautham purchased a demand draft of ₹25,000 for paying his insurance premium - Remittance of funds:</p>	4												

	<p>5. Rented a locker to store his family's jewellery safely- Allied services: (any 4 services with relevant explanation 1 mark each)</p>	
31	<p>a. What are the limitations of company form of business-</p> <ul style="list-style-type: none"> (i) Complexity in formation: (ii) Lack of secrecy: (iii) Impersonal work environment (iv) Numerous regulations: (v) Delay in decision making: (vi) Oligarchic management: <p>(Any 3 Limitations with explanation- 3 Marks)</p> <p>b. Explain any three main documents to be prepared by them while forming their business.</p> <ul style="list-style-type: none"> i. Memorandum of Association ii. Articles of Association iii. Consent of Proposed Directors iv. Agreement v. Statutory Declaration <p>(Any 3 documents with relevant explanation- 3 Marks)</p>	6
32	<ul style="list-style-type: none"> (i) Ease of formation and lower investment requirements: (ii) Convenience: (iii) Speed: (iv) Global reach/access (v) Movement towards a paperless society: <p>List down 4 Points ½ Mark each = 2 Marks Explain each one of them in detail 1 Mark each =4 Marks</p>	6
33	<p>a. Which principle of insurance has been violated by ABC Manufacturing - (i) Utmost good faith (1 Mark each)</p> <p>b. Explain the principle identified in (a) - A contract of insurance is a contract of uberrimae fidei i.e., a contract founded on utmost good faith. Both the insurer and the insured should display good faith towards each other in regard to the contract. (1 Mark)</p> <p>c. Explain any other 4 principles of insurance in detail.</p> <ul style="list-style-type: none"> a. Certainty b. Indemnity c. Proximate Cause d. Subrogation <p>(1 mark each = 4 Marks)</p>	6
34	<p>a. Explain any three advantages of issuing debentures as a source of finance. (3Marks)</p> <ul style="list-style-type: none"> i) It is preferred by investors who want fixed income at lesser risk; 	6

	<p>ii) Debentures are fixed charge funds and do not participate in profits of the company;</p> <p>iii) The issue of debentures is suitable in the situation when the sales and earnings are relatively stable;</p> <p>iv) As debentures do not carry voting rights, financing through debentures does not dilute control of equity shareholders on management;</p> <p>v) Financing through debentures is less costly as compared to cost of preference or equity capital as the interest payment on debentures is tax deductible.</p> <p>(Any 3 Points 1 Mark each)</p> <p>b. Describe the following. (3 Marks) 1 Mark each</p> <p>(a) <u>Global Depository Receipts (GDR's):</u></p> <ul style="list-style-type: none"> ❖ The local currency shares of a company are delivered to the depository bank. The depository bank issues depository receipts against these shares. Such depository receipts denominated in US dollars are known as Global Depository Receipts (GDR). GDR is a negotiable instrument and can be traded freely like any other security. ❖ In the Indian context, a GDR is an instrument issued abroad by an Indian company to raise funds in some foreign currency and is listed and traded on a foreign stock exchange. ❖ A holder of GDR can at any time convert it into the number of shares it represents. The holders of GDRs do not carry any voting rights but only dividends and capital appreciation. ❖ Many Indian companies such as Infosys, Reliance, Wipro and ICICI have raised money through issue of GDRs. <p>(b) <u>American Depository Receipts (ADRs):</u> The depository receipts issued by a company in the USA are known as American Depository Receipts. ADRs are bought and sold in American markets, like regular stocks. It is similar to a GDR except that it can be issued only to American citizens and can be listed and traded on a stock exchange of USA.</p> <p>(c) <u>Indian Depository Receipt (IDRs):</u> An Indian Depository Receipt is a financial instrument denominated in Indian Rupees in the form of a Depository Receipt. It is created by an Indian Depository to enable.</p>	
--	--	--

