




**INDIAN SCHOOL AL WADI AL KABIR**  
**DEPARTMENT OF COMMERCE**  
**FINAL ASSESSMENT -XI 2025-26**  
**BUSINESS STUDIES (054)- ANSWER KEY**

<b>Q. NO</b>	<b>QUESTIONS WITH ANSWERS/</b>	<b>MARKS</b>
1	<p>A textile manufacturing unit in Gujarat was running successfully with good profit margins. However, a sudden earthquake damaged the factory building and machinery. The company had to halt production for three months, resulting in loss of business and reduced profits. Identify the cause of business risk in this case.</p> <ul style="list-style-type: none"><li>a) Human causes</li><li>b) Natural causes</li><li>c) Economic causes</li><li>d) Management inefficiency</li></ul>	1
2	<p>International Airports Ltd. partnered with the government to upgrade air traffic control systems. The company brought cutting-edge technology and international expertise, while the government retained ownership of airport land. What type of business organization model is illustrated in the case where International Airports Ltd. collaborated with the government to upgrade air traffic control systems, with the company providing technology and expertise while the government retained land ownership?</p> <ul style="list-style-type: none"><li>a. Joint Venture</li><li>b. Partnership business.</li><li>c. Public Private Partnership</li><li>d. Government company.</li></ul>	1
3	<p><b>Assertion (A):</b> Customers can make permitted banking transactions from office, house, or while travelling via mobile phone. <b>Reason (R):</b> E-banking is accessible only through personal computers with internet connection.</p> <ul style="list-style-type: none"><li>a) Both A and R are true, and R is the correct explanation of A</li><li>b) Both A and R are true, but R is not the correct explanation of A</li><li>c) A is true, but R is false</li><li>d) A is false, but R is true</li></ul>	1
4	<p>Read the following statements carefully: Statement- I Top management commitment is essential for ethical business. Statement- II Legal compliance is sufficient for ethical behaviour of a business.</p>	1

	<p>In the light of the given statements, choose the correct alternative from the following:</p> <p>(a) Both the statements are true.  (b) Both the statements are false.  (c) Statement I is true, Statement II is false.  (d) Statement II is true, Statement I is false</p>	
5	<p>Identify two government schemes to support small industries in India.</p> <ol style="list-style-type: none"> <li>Traditional Knowledge Digital Library (TKDL)</li> <li>Central Tool Room and Training Centre (CTTC)</li> <li>National Small Industries Corporation (NSIC)</li> <li>The District Industries Centre (DICs)</li> <li>Industrial Development Bank of India (IDBI)</li> <li>Goods and Services Tax (GST)</li> </ol> <ol style="list-style-type: none"> <li>i and ii</li> <li>ii and iii</li> <li>i and v</li> <li>iii and iv</li> </ol>	1
6	<p>Out of the following, which are the privileges of a private company?  Choose the correct option:</p> <ol style="list-style-type: none"> <li>A private company can be formed by only two members</li> <li>There is no need to issue a prospectus as public is not invited to subscribe to the shares of a private company.</li> <li>Allotment of shares can be done without receiving the minimum subscription.</li> <li>A private company should have a minimum paid up capital of ₹ 8,00,000.</li> <li>Private companies need not publish their financial statements.</li> </ol> <ol style="list-style-type: none"> <li>i,ii,iii and v</li> <li>Only ii</li> <li>Only iv</li> <li>ii,iii, iv and v</li> </ol>	1
7	<p>After a major railway accident, Parliament conducted a detailed inquiry into the operations of Indian Railways. The Railway Ministry had to present complete accounts, employee records, and operational procedures to Parliament for scrutiny. Which feature of departmental undertakings is portrayed here?</p> <ol style="list-style-type: none"> <li>Lack of flexibility.</li> <li>Delay in decision making.</li> <li>Unable to make use of opportunities</li> <li>Accountability to the ministry.</li> </ol>	1
8	<p>An employee receives an email about being tracked by the company electronically through their digital eye observation. Which limitation of e-business is depicted in this statement?</p> <ol style="list-style-type: none"> <li>Low personal touch</li> <li>Increased risk due to anonymity and non-traceability of parties</li> <li>Ethical fallouts</li> <li>People resistance</li> </ol>	1

9	<p>Identify the type of internal trade depicted in the given image.</p>  <p><b>Itinerant trade- Peddlers hawkers</b></p>	1
10	<p>Arrange the following steps in entrepreneurship development in sequential order.</p> <ol style="list-style-type: none"> <li>i. Planning</li> <li>ii. Generating and evaluating ideas</li> <li>iii. Self-discovery</li> <li>iv. Identifying opportunities.</li> <li>v. Raising start-up capital</li> </ol> <ol style="list-style-type: none"> <li>a) ii,iii,v,i,iv</li> <li><b>b) iii,iv,ii,i,v</b></li> <li>c) iv,iii,ii,i,v</li> <li>d) i,iv,ii,v,iii</li> </ol>	1
11	<p>Choose the correct statement after analyzing the given case.</p> <p>R.K Sharma, a 22-year-old engineering graduate from Mumbai, developed an innovative mobile application called "Farm Connect" that connects farmers directly with consumers, eliminating middlemen and ensuring fair prices for both parties. Despite having a working prototype and positive feedback from pilot users, Sharma lacked the funds to scale his business. Through a start-up networking event, Sharma met Priya Mehta, a successful entrepreneur who had previously built and sold her own technology company. Priya was looking to support promising early-stage businesses in the agricultural technology sector.</p> <p>After reviewing Sharma's business plan and conducting due diligence, Priya agreed to invest ₹50 lakhs in exchange for 20% equity in Farm Connect. Beyond money, she also provided mentorship based on her entrepreneurial experience, access to her network of retailers and distributors and guidance on business strategy and scaling operations</p> <ol style="list-style-type: none"> <li>a) Priya is a partner of the start-up</li> <li>b) Priya is the shareholder.</li> <li><b>c) Priya is an angel investor.</b></li> <li>d) Priya is an independent entrepreneur.</li> </ol>	1
12	<p>Identify the document issued by a company to a depositor as an acknowledgment that the company has received money from the public and is liable to repay it.</p> <ol style="list-style-type: none"> <li>a) Debentures</li> <li><b>b) Deposit receipt</b></li> </ol>	1

	<p>c) Pay-in-slip d) Bills receivable.</p>																									
13	<p>Match the concepts and choose the correct option.</p> <table border="1"> <thead> <tr> <th></th> <th>COLUMN A</th> <th></th> <th>COLUMN B</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>Helps in maintaining prices at a reasonable level through continuous supply of goods.</td> <td>A</td> <td>Industry</td> </tr> <tr> <td>B</td> <td>On payment of a nominal sum, the amount of loss or damage and compensation for injury, if any, can be recovered.</td> <td>B</td> <td>Profession</td> </tr> <tr> <td>C</td> <td>All activities involving the removal of hindrances in the process of exchange are included in this.</td> <td>C</td> <td>Insurance</td> </tr> <tr> <td>D</td> <td>Economic activities, which are connected with the conversion of resources into useful goods.</td> <td>D</td> <td>Warehousing</td> </tr> <tr> <td>E</td> <td>Rendering of personalized, expert services for money, considered as an occupation.</td> <td>E</td> <td>Commerce</td> </tr> </tbody> </table> <p>A-D, B-C, C-E, D-A, E-B</p>		COLUMN A		COLUMN B	A	Helps in maintaining prices at a reasonable level through continuous supply of goods.	A	Industry	B	On payment of a nominal sum, the amount of loss or damage and compensation for injury, if any, can be recovered.	B	Profession	C	All activities involving the removal of hindrances in the process of exchange are included in this.	C	Insurance	D	Economic activities, which are connected with the conversion of resources into useful goods.	D	Warehousing	E	Rendering of personalized, expert services for money, considered as an occupation.	E	Commerce	1
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14	<p>Amul, a co-operative society in Gujarat, collects milk from farmers and processes it into various dairy products for sale in the market. This cooperative eliminates middlemen and ensures farmers get fair prices. Amul is an example of:</p> <p>a) Producer's Cooperative Society b) Marketing Cooperative Society c) Consumer's Cooperative Society d) Credit Cooperative Society</p>	1																								
15	<p>Insurance is not only a protection but is a sort of investment because a certain sum is returnable to the insured at the time of death or at the expiry of a certain period. Choose the correct option for it.</p> <p>a) Fire Insurance b) Marine Insurance c) Medical Insurance d) Life Insurance</p>	1																								
16	<p>XYZ Ltd. published a written document defining principles of conduct covering honesty, product safety, workplace health, and fair marketing practices. The company also conducts regular training sessions with employees to discuss these policies. What is this written document called?</p>	1																								

	<ul style="list-style-type: none"> <li>a) Office manual</li> <li>b) Policy document</li> <li><b>c) Code of conduct</b></li> <li>d) Labour contract</li> </ul>	
17	<p>The minimum denomination for issuing Commercial Paper is:</p> <ul style="list-style-type: none"> <li>a) ₹1 lakh</li> <li><b>b) ₹5 lakh</b></li> <li>c) ₹10 lakh</li> <li>d) ₹50 lakh</li> </ul>	1
18	<p>Identify the examples of intellectual property rights and choose the correct option.</p> <ul style="list-style-type: none"> <li>A. Patents and copyrights</li> <li>B. Computer</li> <li>C. Novels, Books, Poems, Song Lyrics, Computer Programs</li> <li>D. Industrial site</li> <li>E. Dance or Mime, Screenplay, Musical Work, Sound Recording</li> </ul> <p>Options:</p> <ul style="list-style-type: none"> <li>a) B only</li> <li>b) B and D</li> <li><b>c) A, C and E</b></li> <li>d) B, C and D</li> </ul>	1
19	<p>GST is a:</p> <ul style="list-style-type: none"> <li>a) Origin-based tax</li> <li><b>b) Destination-based tax</b></li> <li>c) Manufacturing tax</li> <li>d) Import tax</li> </ul>	1
20	<p>Read the following statements carefully:</p> <p>Statement I- The degree of mobility of factors like labour and capital is generally less between countries than within a country.</p> <p>Statement II- The differences in business systems and practices are considerably less among countries than within a country.</p> <p>In the light of given statements, choose the correct alternative from the following:</p> <ul style="list-style-type: none"> <li>a) Both the statements are true.</li> <li>b) Both the statements are false.</li> <li><b>c) Statement I is true, Statement II is false.</b></li> <li>d) Statement II is true, Statement I is false</li> </ul>	1
21	<p>What steps can a business enterprise take to protect the environment from the dangers of pollution? (Any three)</p> <ul style="list-style-type: none"> <li><b>(i) A definite commitment by top management of the enterprise to create, maintain and develop work culture for environmental protection and pollution prevention.</b></li> <li><b>(ii) Ensuring that commitment to environmental protection is shared throughout the enterprise by all divisions and employees.</b></li> </ul>	3

	<p>(iii) Developing clear-cut policies and programmes for purchasing good quality raw materials, employing superior technology, using scientific techniques of disposal and treatment of wastes and developing employee skills for the purpose of pollution control.</p> <p>(iv) Complying with the laws and regulations enacted by the Government for prevention of pollution.</p> <p>(v) Participation in government programmes relating to management of hazardous</p> <p><b>Any 3 points 1 mark each</b></p> <p style="text-align: center;">OR</p> <p>There is a growing realisation all over the world that ethics is vitally important for every business and for the progress of any society. In the light of this statement, explain any three elements of business ethics.</p> <p>(i) Top management commitment.</p> <p>(ii) Publication of a 'Code':.</p> <p>(iii) Establishment of compliance mechanisms:</p> <p>(iv) Involving employees at all levels</p> <p>(v) Measuring results:</p> <p><b>Any 3 points with relevant explanation- ( 1/2 + 1/2 for each point)</b></p>	
22	<p>Pharma Cure Laboratories, a pharmaceutical company in Hyderabad, manufactures generic medicines for the Indian market. The company has WHO-GMP certification and produces high-quality affordable drugs. A delegation from Kenya approaches Pharma Cure offering bulk orders worth \$5 million annually. If they accept the order for such bulk purchases, what benefits would they gain from such international transactions?</p> <ul style="list-style-type: none"> <li>• Earning of foreign exchange</li> <li>• Improving growth prospects and employment potentials</li> <li>• More efficient use of resources:</li> <li>• Increased standard of living</li> </ul> <p><u>Any 3 benefits to the firm</u></p> <ul style="list-style-type: none"> <li>• Prospects for higher profits:</li> <li>• Increased capacity utilization</li> <li>• Way out to intense competition in domestic market.</li> </ul> <p><b>Any 3 benefits shall be considered.</b> <b>1X3= 3</b></p>	3
23	<p>Differentiate between memorandum of association and articles of association. (any three)</p> <p>Any three differences each carries one mark.</p>	3

**Difference between Memorandum of Association and Articles of Association**

<b>Basis of Difference</b>	<b>Memorandum of Association</b>	<b>Articles of Association</b>
Objectives	Memorandum of Association defines the objects for which the company is formed.	Articles of Association are rules of internal management of the company. They indicate how the objectives of the company are to be achieved.
Position	This is the main document of the company and is subordinate to the Companies Act.	This is a subsidiary document and is subordinate to both the Memorandum of Association and the Companies Act.
Relationship	Memorandum of Association defines the relationship of the company with outsiders.	Articles define the relationship of the members and the company.
Validity	Acts beyond the Memorandum of Association are invalid and cannot be ratified even by a unanimous vote of the members.	Acts which are beyond Articles can be ratified by the members, provided they do not violate the Memorandum.

OR

Differentiate between private companies and public companies (any three)

**Table 2.3 Difference between a Public Company and Private Company**

<b>Basis</b>	<b>Public company</b>	<b>Private company</b>
Members	Minimum - 7 Maximum - unlimited	Minimum - 2 Maximum - 200
Minimum number of directors	Three	Two
Index of members	Compulsory	Not compulsory
Transfer of shares	No restriction	Restriction on transfer
Invitation to public to subscribe to shares	Can invite the public to subscribe to its shares or debentures	Cannot invite the public to subscribe to its securities

24

Rohan inherited 50 acres of agricultural land in Punjab. Instead of traditional farming, he decided to start an integrated agri-business involving: organic farming of vegetables,

3

	<p>dairy farming with 50 cattle, a cold storage facility, and direct supply to retail chains in nearby cities. He faced several challenges: initial capital requirement of ₹2 crores, hiring skilled workers for organic farming, arranging transport for daily delivery, getting organic certification, and competing with existing suppliers who had established relationships with retailers and so on.</p> <p>Identify and explain any three objectives that Rohan's business should aim to achieve.</p> <ul style="list-style-type: none"> <li>• Market standing</li> <li>• Productivity</li> <li>• Physical and financial resources</li> </ul> <p>Each point carries 1 mark. ( ½ + ½ )</p>	
25	<p>An online shopping company faced a major security breach where customer credit card details were stolen. The company used outdated security systems and did not encrypt customer data properly. This resulted in financial losses for customers and reputation damage for the company.</p> <p>Questions:</p> <p>a. What types of risks did the company fail to address?</p> <ul style="list-style-type: none"> <li>• Transaction risks</li> <li>• Data storage and transmission risks</li> </ul> <p><b>Two points with relevant explanation 1 mark each</b></p> <p>b. What security measures should the company have implemented?</p> <ul style="list-style-type: none"> <li>• Cryptography</li> <li>• Cookies</li> <li>• SSL</li> </ul> <p><b>Two points with relevant explanation 1 mark each</b></p> <p style="text-align: center;">OR</p> <p>ABC Chemicals Ltd. is a highly profitable company manufacturing industrial chemicals. The company has been dumping untreated chemical waste into a nearby river for the past 10 years, which has led to the death of aquatic life and health problems among villagers living downstream. The company argues that installing pollution control equipment would cost ₹50 crores and significantly reduce their profits. The management believes their primary responsibility is profit maximization for shareholders.</p> <p>Explain the arguments against social responsibility in the context of this case.</p> <p>(i) Violation of profit maximisation objective.</p> <p>(ii) Burden on consumers.</p> <p>(iii) Lack of social skills.</p> <p>(iv) Lack of broad public support.</p> <p><b>Four points with relevant explanation. ( ½ + ½ for each point)</b></p>	4
26	<p>Suresh owns 'Perfect Prints', a small printing press in Chennai that has been operating for 15 years. The press handles printing jobs for local businesses, schools, and offices. Recently, a leading publishing house awarded Suresh a contract to print 50,000 copies of a popular textbook worth ₹90 lakhs to be delivered before the start of the academic</p>	4

session in three months. The publisher will pay 30% advance and balance after delivery. However, Suresh needs funds immediately.

- a. Suggest any two sources of finance for Suresh along with a brief description.
- b. Write any two merits of each source.

a. Two sources of short-term finance for Suresh.

1. Trade credit
2. Borrowing from bank in the form of cash credit or overdraft

(1 mark each for two sources – ½ for point and ½ for explanation)

b. merits of trade credit

- Trade credit is a convenient and continuous source of funds;
- Trade credit may be readily available in case the credit worthiness of the customers is known to the seller.
- Trade credit needs to promote the sales of an organisation;

Merits of borrowing from bank.

- Banks provide timely assistance to business by providing funds as and when needed by it.
- Secrecy of business can be maintained as the information supplied to the bank by the borrowers is kept confidential;
- Formalities such as issue of prospectus and underwriting are not required for raising loans from a bank. This, therefore, is an easier source of funds;
- Loan from a bank is a flexible source of finance

½ mark each for merits (any two)- total 4 points- weightage 2 marks

OR

Cherry Ltd. is an electrical appliance manufacturing company. The company has issued equity shares and preference shares to meet its financial requirements. Other sources of finance have not been considered at all. This has resulted in payment of large amount of taxes to the government as dividend on shares is not deducted from income of the company for the purpose of tax calculation.

- a. State the major source of finance which can give benefit of tax saving.  
Debentures are an important instrument for raising long term debt capital. A company can raise funds through issue of debentures, which bear a fixed rate of interest.
- b. What are the advantages of such sources of finance? Write any three.
  - (i) It is preferred by investors who want fixed income at lesser risk;
  - (ii) Debentures are fixed charge funds and do not participate in profits of the company;

	<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</p>	
27	<p>Rajesh owns a small manufacturing unit producing handmade paper products in a rural area. Despite producing quality products, he faces severe marketing problems. He lacks understanding of customer needs, has no proper distribution network and depends heavily on middlemen who delay payments and offer low prices. He wants to expand the business but doesn't have the infrastructure for direct marketing. His products are competitive in quality but he struggles to reach urban markets.</p> <p>Questions:</p> <p>a. Identify two problems Rajesh is facing as an MSME owner. Finance Rawmaterial</p> <p>b. Explain the role of MSMEs in rural development. (i) The contribution of these industries to the balanced regional development of our country is noteworthy. Small industries in India account for 95 per cent of the industrial units in the country. (ii) MSME 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</p> <p>Two problems- point with explanation 1 Mark each = 2 marks Role of MSMEs - Any points with explanation 1 Mark each = 2 marks</p>	4
28	<p>"Wholesalers are an important link in the distribution chain." Explain this statement by discussing the services provided by wholesalers to manufacturers and retailers. To Manufactures 1. Facilitates large scale production and economies of scale 2. Helps in marketing function 3. Expert advice To Retailers 1. Availability of goods 2. Grant of credit 3. Risk sharing <b>Any two services under each category each point with explanation carries 1 mark</b></p>	4
29	<p>Container Corporation of India (CONCOR) a government company, signed a 10-year contract with Indian Railways for transportation services. It also purchased land and built container depots across the country in its own name. The company has the right to own assets and enter business transactions independently.</p> <p>a. Explain the feature of government companies discussed in the above paragraph.</p>	4

	<p><b>Separate legal existence. /Legal entity ( ½ for identification ½ for explanation)</b></p> <p><b>b.</b> Write any three advantages of government companies.</p> <p>(i) A government company can be established by fulfilling the requirements of the Indian Companies Act. A separate Act in the Parliament is not required;</p> <p>(ii) It has a separate legal entity, apart from the Government;</p> <p>(iii) It enjoys autonomy in all management decisions and takes actions according to business prudence;</p> <p>(iv) These companies by providing goods and services at reasonable prices are able to control the market and curb unhealthy business practices.</p> <p><b>1 Mark each for 3 points</b></p>	
30	<p>ABC Ltd. is a large retail organization operating 50 stores across India. All stores have identical appearance, sell standardized products, follow centralized purchasing, and operate on a cash-only basis.</p> <p>(a) Identify the type of retail organization. Chain Stores or Multiple Shops</p> <p>(b) State any three features of this organization by quoting lines from the given information.</p> <ul style="list-style-type: none"> <li>• These shops are located in fairly populous localities, where sufficient number of customers can be approached. The idea is to serve the customers at a point which is nearest to their residence or work place, rather than attracting them to a central place.</li> <li>• The manufacturing/procurement of merchandise for all the retail units is centralised at the head office, from where the goods are despatched to each of these shops according to their requirements. This results in savings in the cost of operation of these stores.</li> <li>• Each retail shop is under the direct supervision of a Branch Manager, who is held responsible for its day-to-day management.</li> </ul> <p>(c) Write any two points to differentiate it from a departmental store?</p> <ol style="list-style-type: none"> <li>a. Services provided</li> <li>b. Location</li> <li>c. Formation</li> <li>d. Purchase arrangement</li> </ol> <p>½ mark for (a)- Identification ½ mark each for 3 points Two marks for two points of difference. 1 Mark each.</p>	4
31	<p>Arjun Mehta, a software engineer, observed that small retailers in India struggled with inventory management and lacked affordable technology solutions. He conceived the idea of developing a cloud-based inventory management software specifically designed for small retailers. He decided to name his venture "Retail Ease Solutions."</p>	6

	<p>Arjun shared his idea with his friend Vikram, a corporate lawyer, who advised him to start a company form of business and explained the functions to be performed by Arjun as a promoter. What are the functions of Arjun as a promoter?</p> <p>Functions of a promoter</p> <ol style="list-style-type: none"> <li>a. Identification of business opportunity:</li> <li>b. Feasibility studies: ( a) Technical feasibility: (b) Financial feasibility: ( c) Economic feasibility.</li> <li>c. Name approval.</li> <li>d. Fixing up Signatories to the Memorandum of Association.</li> <li>e. Appointment of professionals.</li> <li>f. Preparation of necessary documents</li> </ol> <p><b>Explain each point 1 mark each (1X6 = 6)</b></p>	
32	<p>ABC Manufacturing Ltd. is a growing company producing electrical appliances. The company needs funds for expansion and working capital management. The financial manager of the company suggests to issue additional equity shares and arrange finance from financial institutions.</p> <p>Discuss the merits and demerits of both the sources of finance from your point of view.</p> <p><u>The merits of raising funds through issuing equity shares.</u></p> <ol style="list-style-type: none"> <li>(i) Equity shares are suitable for investors who are willing to assume risk for higher returns;</li> <li>(ii) Payment of dividend to the equity shareholders is not compulsory.</li> <li>(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</li> <li>(iv) Equity capital provides credit worthiness to the company and confidence to prospective loan providers;</li> <li>(v) Funds can be raised through equity issue without creating any charge on the assets of the company.</li> </ol> <p><u>The merits of raising funds through financial institutions are:</u></p> <ol style="list-style-type: none"> <li>(i) Financial institutions provide long-term finance, which are not provided by commercial banks;</li> <li>(ii) Besides providing funds, many of these institutions provide financial, managerial and technical advice and consultancy to business firms;</li> <li>(iii) Obtaining loan from financial institutions increases the goodwill of the borrowing company in the capital market.</li> <li>(iv) As repayment of loan can be made in easy instalments, it does not prove to be much of a burden on the business;</li> <li>(v) The funds are made available even during periods of depression, when other sources of finance are not available</li> </ol> <p><b>3 Points each for both the sources of finance each correct point carries 1 mark.</b>  <b>(3X1= 3) + (3X1= 3) =6</b></p>	6
33	<p>Sharma Textiles Ltd. requires ₹50 lakhs for purchasing raw materials but expects payment from customers only after 60 days. The company approaches City Bank for</p>	6

assistance. The bank offers a cash credit facility of ₹50 lakhs against the security of inventory at 11% per annum interest.

- (a) Explain what is meant by a cash credit facility.
- (b) What are the functions of a commercial bank? Explain in detail.

An (a) Cash credit is a short-term business loan from a bank that allows a business to withdraw funds up to a specified limit, often against collateral like inventory. (1 Mark)

An (b)

1. Acceptance of deposits.
2. Lending of funds
3. Cheque facility
4. Remittance of funds
5. Allied services

**All 5 services 1 mark each (1/2 for point and 1/2 for explanation)**

OR

A shipping company operates cargo vessels that transport goods between Indian ports and Southeast Asian countries. The company owns three ships valued at ₹100 crores each and also earns substantial income from freight charges. The company wants comprehensive protection for both the vessels and the revenue they generate.

- a. What type of insurance should the shipping company consider to protect their business interests comprehensively?

**Marine insurance- Explain (1 Mark)**

- b. Differentiate between life insurance and fire insurance on any five bases. **Any 5 Points 1 mark each**

**Difference between Life, Fire and Marine Insurance**

	<b>Basis of difference</b>	<b>Life Insurance</b>	<b>Fire Insurance</b>
1.	Subject Matter	The subject matter of insurance is human life.	The subject matter is any physical property or assets.
2.	Element	Life Insurance has the elements of protection and investment or both.	Fire insurance has only the element of protection and not the element of investment.
3.	Insurable interest	Insurable interest must be present at the time of effecting the policy but need not be necessary at the time when the claim falls due.	Insurable interest on the subject matter must be present both at the time of effecting policy as well as when the claim falls due.
4.	Duration	Life insurance policy usually exceeds a year and is taken for longer periods ranging from 5 to 30 years or whole life.	Fire insurance policy usually does not exceed a year.
5.	Indemnity	Life insurance is not based on the principle of indemnity. The sum assured is paid either on the happening of certain event or on maturity	Fire insurance is a contract of indemnity. The insured can claim only the actual amount of loss from the insurer. The loss due to the fire is indemnified

34

Trendz industries, India have received an export order of 5,000 kids' jeans from Walmart store, USA. What procedure Trendz industries will follow to execute this export order before pre-shipment inspection?

- (i) Receipt of enquiry and sending quotations:
- (ii) Receipt of order or indent
- (iii) Assessing the importer's creditworthiness and securing a guarantee for payments
- (iv) Obtaining export license.
- (v) Obtaining pre-shipment finance
- (vi) Production or procurement of goods:

**6 steps with explanation 1 mark each ( 1/2 + 1/2 for each)**

OR

Explain the major documents required for export of goods.

6

	<p>a. <b>Letter of credit:</b> It is document that contains a guarantee from the importer bank to the exporter's bank that it is undertaking to honour the payment up to a certain amount of the bills issued by the exporter for exports of the goods to the importer.</p> <p>b. <b>Shipment advice:</b> The shipment advice is a document that the exporter sends to the importer informing him that the shipment of goods has been made. Shipment of advice contains invoice number, bill of lading/airways bill number and date, name of the vessel with date, the port of export, description of goods and quantity, and the date of sailing of the vessel.</p> <p>c. <b>Bill of lading:</b> It is a document prepared and signed by the master of the ship acknowledging the receipt of goods on board. It contains terms and conditions on which the goods are to be taken to the port of destination.</p> <p>d. <b>Airway Bill:</b> Like a bill of lading, an airway bill is a document wherein an airline/ shipping company gives its official receipt of the goods on board its aircraft and at the same time gives an undertaking to carry them to the port of destination. It is also a document of title to the goods and as such is freely transferable by the endorsement and delivery.</p> <p>e. <b>Bill of entry:</b> Bill of entry is a form supplied by the customs office to the importer. It is to be filled in by the importer at the time of receiving the goods. It has to be in triplicate and is to be submitted to the customs office. The bill of entry contains information such as name and address of the importer, name of the ship, number of packages, marks on the package, description of goods, quantity and value of goods, name and address of the exporter, port of destination, and customs duty payable.</p> <p>f. <b>Dock challan:</b> Dock charges are to be paid when all the formalities of the customs are completed. While paying the dock dues, the importer or his clearing agent specifies the amount of dock dues in a challan or form which is known as dock challan.</p>	
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