



# INDIAN SCHOOL AL WADI AL KABIR

## First Assessment 2024-25

### Business Studies (054)

Date:

Time: 3 hours

Class: XI


Maximum Marks: 60

#### **General instructions:**

1. All questions are compulsory.
2. This question paper is divided into two parts, Part A and B.
3. Do not merge two parts.
4. While answering MCQ's write the no followed by the answer.

Q. No.	SECTION A	Marks
1	Transport, banking, insurance, warehousing, communication, packaging, and advertising are included under which industry?  A. Secondary B. Primary <b>C. Tertiary</b> D. Manufacturing	1
2	Buying and selling of goods is termed as trade. But there are a lot of activities that are required to facilitate the purchase and sale of goods. These are called as _____.  A. Trade B. Auxiliaries to Trade <b>C. Both B &amp; C</b> D. Services	1

3	<p>Which of the following is an objective for the Make in India initiative launched by the Government of India?</p> <p>A. Encourage domestic companies to manufacture their products in India  B. Encourage multinational companies to manufacture their products in India  <b>C. All of these</b>  D. Job creation and skill enhancement</p>	1
4	<p>The form of business organisation which is specifically found in India is _____.</p> <p>A. Sole Proprietorship  B. Partnership  <b>C. Joint Hindu Family</b>  D. Cooperatives</p>	1
5	<p>A person who contributes capital, takes part in the management, shares profits/losses, and has unlimited liability towards the creditors but unknown to the general public is called _____.</p> <p>a) Dormant partner  <b>b) secret partner</b>  c) nominal partner  d) active partner</p>	1
6	<p>Gokul Dham society is made by a group of people in which these members are able to construct/buy houses at reasonable cost. This is an example of _____.</p> <p>A. Cooperative credit society  B. Marketing cooperative society  <b>C. Cooperative housing society</b>  D. Producer's cooperative society</p>	1
7	<p>_____are neither the agents nor the trustees of the company.</p> <p>A. Registrar  B. Registries  <b>C. Promoters</b></p>	1

	D. Preliminary Contracts	
8	<p>This is probably the most important clause of the memorandum. It defines the purpose for which the company is formed. A company is not legally entitled to undertake an activity, which is beyond the objects stated in this clause. Identify the clause stated above.</p> <p>A. Liability Clause B. Capital Clause C. Name Clause <b>D. Objects Clause</b></p>	1
9	<p>The public sector enterprises are owned, managed and controlled by the_____.</p> <p><b>A. Government</b> B. Individuals C. Foreigners D. Investors</p>	1
10	 <p>सेल SAIL</p> <p>This is an example of a _____.</p> <p>A. PPP <b>B. Government Company</b> C. Departmental Undertaking D. Statutory Corporation</p>	1
11	<p>Assertion (A): The employees of Statutory Corporations are civil servants.</p> <p>Reason (R): These enterprises enjoy independence in their functioning and a high degree of operational flexibility.</p> <p>A. Both A and R are true and R is the correct explanation of A.</p>	1

	<p>B. Both A and R are true but R is not the correct explanation of A.</p> <p>C. A is true but R is false</p> <p>D. A is false but R is true</p> <p><b>D. A is false but R is true.</b></p> <p><b>Explanation:</b> Employees of a statutory corporation are not 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.</p>	
12	<p>What minimum percentage of the paid-up capital should be held by the government in a Government Company?</p> <p>A. 49%</p> <p>B. 100%</p> <p>C. 52%</p> <p><b>D. 51%</b></p>	1
13	<p>Which of the following is not a feature of MNC</p> <p>A. Huge capital resources</p> <p>B. Marketing strategies</p> <p>C. Product innovation</p> <p><b>D. Generating huge profits</b></p>	1
14	<p>Abbreviation of PPP is _____.</p> <p>A. Partnering Public and Private Enterprises</p> <p><b>B. Public Private Partnership</b></p> <p>C. Private Public Partnerships</p> <p>D. None of the above</p>	1
15	<p>A. According to principle of subrogation the insured should not be allowed to make any profit by selling damaged property or in the case of lost property being recovered.</p> <p>B. The principle of subrogation is a corollary to the Principle of Indemnity and the damaged goods will belong to the insurance company, once the compensation is paid. It also states that insurance is not a contract of making a profit.</p>	1

	<p><b>A. Both A and B are True.</b></p> <p>B. Both A and B are False.</p> <p>C. A is True but B is False.</p> <p>D. B is True but A is False.</p>	
16	<p>UPI stands for _____.</p> <p>A. Unique Payment Introduction</p> <p>B. Union Payment Interface</p> <p>C. Upper Payment Interface</p> <p><b>D. Unified Payment Interface</b></p>	1
17	<p>A person gets his stock of Rs.25,000 insured for Rs.35,000. A fire occurs and the whole stock gets damaged. The insurance company will pay him only Rs.25,000, the actual value of his stock and not Rs.35,000. Which principle of insurance is applied in this case?</p> <p>A. Principle of Contribution</p> <p>B. Principle of Subrogation</p> <p><b>C. Principle of Indemnity</b></p> <p>D. Principle of Insurable Interest</p>	1
18	<p>Without disclosing that he is suffering from TB, Mr. Rohit gets himself insured against death for rupees 10 lakhs. He lives for another three-four years and dies due to TB. The insurance company comes to know about Mr. Rohit's illness only after his death. Now, under these circumstances, the insurance company is not liable to pay anything to the dependents of Mr. Rohit as the contract between the insurance company and Mr. Rohit is void. Identify the principle of insurance to which the above example is related:</p> <p><b>A. Utmost good faith</b></p> <p>B. Insurable interest</p> <p>C. Indemnity</p>	1

	D. Subrogation	
19	<p>Tourism, Recreational services, Restaurants are examples of _____.</p> <p>A. <b>Personal Services</b>  B. Social Services  C. Economic Services  D. Business Services</p>	1
20	<p>This is a mobile payment App based on the Unified Payments Interface (UPI)</p> <p>A. Prepaid Cards  B. Aadhar enabled payment system (AEPS)  <b>C. Bhim</b>  D. Mobile Wallets</p>	1
	<b>SECTION B</b>	
21	<p>This is a voluntary association of persons, who join together with the motive of welfare of the members. They are driven by the need to protect their economic interests in the face of possible exploitation at the hands of middlemen.</p> <p>A. Identify the form of business organisation  B. Explain any (2) merits of the identified concept</p> <p><b>A. Cooperative Societies</b></p> <p>B.</p> <ol style="list-style-type: none"> <li><b>Equality in voting status:</b> The principle of 'one man one vote' governs the cooperative society. Irrespective of the amount of capital contribution by a member, each member is entitled to equal voting rights.</li> <li><b>Limited liability:</b> The liability of members of a cooperative society is limited to the extent of their capital contribution. The personal assets of the members are, therefore, safe from being used to repay business debts.</li> <li><b>Stable existence:</b> Death, bankruptcy or insanity of the members do not affect continuity of a cooperative society. A society, therefore, operates unaffected by any change in the membership.</li> <li><b>Economy in operations:</b> The members generally offer voluntary services to the society. As the focus is on elimination of middlemen, this helps in reducing costs. The customers or producers themselves are members of the society, and hence the risk of bad debts is lower.</li> </ol>	3

	<p><b>5. Support from government:</b> The cooperative society finds support from the Government in the form of low taxes, subsidies, and low interest rates on loans.</p> <p><b>6. Ease of formation:</b> The cooperative society can be started with a minimum of ten members. The registration procedure is simple involving a few legal formalities. Its formation is governed by the provisions of Cooperative Societies Act 1912</p>	
22	<p>McDonald's Corporation (McDonald's) is one of the world's largest and most recognized fast-food chains, known for its hamburgers, french fries, and name-brand sandwiches such as the Big Mac, Quarter Pounder, and Egg McMuffin, as well as the child-focused Happy Meal.</p> <p>Based in Chicago, it is one of the most successful brands in marketing history. From its modest beginnings in the 1940s as a drive-in restaurant, McDonald's has undergone several transformative eras marked by pioneering innovations, milestones, and periods of controversy.</p> <p>Arguably one of the most impressive elements of McDonald's corporate history is how little modern history it has. During its first decades, McDonald's worked to establish its business model and brand. Since that time it has found an approach that works. The company's modern history is noteworthy specifically for its relatively few items of note. McDonald's has continued its rapid growth for nearly 70 years, and while it has gained and lost customers, new restaurants have opened at a steady pace.</p> <p>To a degree that few other businesses can claim, the McDonald's approach can be described as "if it ain't broke, don't fix it." The chain continued to expand domestically and internationally. In 1967 a franchise opened in Richmond, British Columbia, Canada, McDonald's first location outside the United States. By the early 21st century, there were some 34,000 outlets operating in more than 115 countries and territories. Growth was so swift in the 1990s that it was said a new McDonald's opened somewhere in the world every five hours. It effectively became the most popular family restaurant by emphasizing affordable food, fun, and flavours that appealed to children and adults alike.</p> <p>a. Identify the type of organisation explained above</p> <p>b. Elucidate any (2) features of the identified type of organisation</p> <p><b>Global Enterprises</b></p>	3

**(i) Huge capital resources:** These enterprises are characterised by possessing huge financial resources and the ability to raise funds from different sources. They are able to tap funds from various sources. They may issue equity shares, debentures or bonds to the public. They are also in a position to borrow from financial institutions and international banks. They enjoy credibility in the capital market.

**(ii) Foreign collaboration:** Global enterprises usually enter into agreements with Indian companies pertaining to the sale of technology, production of goods, use of brand names for the final products, etc. These MNCs may collaborate with companies in the public and private sector. There are usually various restrictive clauses in the agreement relating to transfer of technology, pricing, dividend payments, tight control by foreign technicians, etc.

**(iii) Advanced technology:** These enterprises possess technological superiorities in their methods of production. They are able to conform to international standards and quality specifications. This leads to industrial progress of the country in which such corporations operate since they are able to optimally exploit local resources and raw materials. Computerisation and other inventions have come due to the technological advancements provided by MNCs.

**(iv) Product innovation:** These enterprises are characterised by having highly sophisticated research and development departments engaged in the task of developing new products and superior designs of existing products. Qualitative research requires huge investment which only global enterprises can afford.

**(v) Marketing strategies:** The marketing strategies of global companies are far more effective than other companies. They use aggressive marketing strategies in order to increase their sales in a short period. They possess a more reliable and up-to-date market information system. Their advertising and sales promotion techniques are normally very effective.

**(vi) Expansion of market territory:** Their operations and activities extend beyond the physical boundaries of their own countries. Their international image also builds up and their market territory expands enabling them to become international brands. They operate through a network of subsidiaries, branches and affiliates in host countries. Due to their giant size they occupy a dominant position in the market.

**(vii) Centralised control:** They have their headquarters in their home country and exercise control over all branches and subsidiaries. However, this control is limited to the broad policy framework of the parent company. There is no interference in day-to-day operations.

23	<p>Explain any (3) three different services provided by banks.</p> <p><input type="checkbox"/> <b>Bank Draft-</b> A bank draft is a payment on behalf of a payer that is guaranteed by the issuing bank.</p> <p><input type="checkbox"/> <b>Bank Overdraft:</b> A temporary arrangement in the form of a permission granted to the customers to withdraw more than the amount standing to his/her credit.</p> <p><input type="checkbox"/> <b>Cash credit-</b>The bank allows the borrower to borrow up to a specified limit. The amount is credited to the account of the borrower. The customer can withdraw this amount as and when he requires. Interest is charged on the amount actually withdrawn.</p> <p><input type="checkbox"/> <b>E-Banking:</b> E-banking is a service provided by banks, that allows a customer to conduct banking transactions, such as managing savings, checking accounts, applying for loans or paying bills over the internet using a personal computer or mobile phones.</p>	3
24	<p>Services are those separately identifiable, essentially intangible activities that provides satisfaction of wants, and are not necessarily linked to the sale of a product or another service. Services are intangible, inconsistent and inseparable. Explain the different types of services with one example each.</p> <p><b>Business Services:</b> Business services are those services which are used by business enterprises for the conduct of their activities. For example, banking, insurance, transportation, warehousing and communication services.</p> <p><input type="checkbox"/> <b>Social Services:</b> Social services are those services that are generally provided voluntarily in pursuit of certain social goals. These social goals may be to improve the standard of living for weaker sections of society, to provide educational services to their children, or to provide health care and hygienic conditions in slum areas. For example, health care and education services provided by certain non-government organisations (NGOs) and government agencies</p> <p><input type="checkbox"/> <b>Personal Services:</b> Personal services are those services which are experienced differently by different customers. These services cannot be consistent in nature. They will differ depending upon the service provider. They will also depend upon customer's preferences and demands. For example, tourism, recreational services, restaurants.</p>	3
25.	<p>Nature of business risks can be understood in terms of their peculiar characteristics, Identify from the following:</p>	4

	<p>a. Uncertainty refers to the lack of knowledge about what is going to happen in future. Natural calamities, change in demand and prices, changes in government policies and prices, improvement in technology, etc. - <b>Business risks arise due to uncertainties</b></p> <p>b. Every business has some risk. No business can avoid risk, although the amount of risk may vary from business to business. Risk can be minimised, but cannot be eliminated. - <b>Risk is an essential part of every business</b></p> <p>c.: Nature of business (i.e., type of goods and services produced and sold) and size of business (i.e., volume of production and sale) are the main factors which determine the amount of risk in a business. For example, a business dealing in fashionable items has a high degree of risk. - <b>Degree of risk depends mainly upon the nature and size of business</b></p> <p>d 'No risk, no gain' is an age-old principle which applies to all types of business. Greater the risk involved in a business higher the chance of profit. An entrepreneur undertakes risks under the expectation of higher profit. Profit is thus the reward for risk taking. - <b>Profit is the reward for risk taking</b></p>	
26	<p>Explain the demerits of Sole Proprietorship form of business organisation(Any 4)</p> <p>1. <b>Limited resources:</b> Resources of a sole proprietor are limited to his/her personal savings and borrowings from others. Banks and other lending institutions may hesitate to extend a long-term loan to a sole proprietor. Lack of resources is one of the major reasons why the size of the business rarely grows much and generally remains small.</p> <p>2. <b>Limited life of a business concern:</b> In the eyes of the law the proprietorship and the owner are considered one and the same. Death, insolvency, or illness of a proprietor affects the business and can lead to its closure.</p> <p>3. <b>Unlimited liability:</b> A major disadvantage of sole proprietorship is that the owner has unlimited liability. If the business fails, the <u>creditors can recover their dues not merely from the business assets, but also from the personal assets of the proprietor.</u></p>	4

	<p><b>4. Limited managerial ability:</b> The owner has to assume the responsibility of varied <b>managerial tasks such as purchasing, selling, financing, etc.</b> It is rare to find an individual who excels in all these areas. Thus, decision making may not be balanced in all the cases.</p>	
27	<p>A. Who is a Promoter</p> <p>B. Explain the feasibility studies that that may be undertaken by a promoter.</p> <p>A. Promoter is said to be the one who undertakes to form a company with reference to a given project and to set it going and who takes the necessary steps to accomplish that purpose. (1)</p> <p>B. (a) <b>Technical feasibility:</b> Sometimes an idea may be good but technically not possible to execute. It may be so because the required raw material or technology is not easily available.</p> <p>(b)<b>Financial feasibility:</b> Every business activity requires funds. The promoters have to estimate The fund requirements for the identified business opportunity. If the required outlay for the project is so large that it cannot easily be arranged within the available means, the project has to be given up.</p> <p>(c) <b>Economic feasibility:</b> Sometimes it so happens that a project is technically viable and financially feasible but the chance of it being profitable is very little. In such cases as well, the idea may have to be abandoned.</p>	4
28	<p>A. What do you mean by a Manufacturing Industry?</p> <p>B. Explain any (3) classifications of the Manufacturing Industry.</p> <p>A. These industries are engaged in producing goods through processing of raw materials and, thus, creating form utilities. (1)</p> <p>B. Manufacturing industries are classified as follows: (1+1+1)</p> <p>a. <b>Analytical industry-</b> which analyses and separates different elements from the same materials, as in the case of oil refinery.</p> <p>b. <b>Synthetical industry-</b> which combines various ingredients into a new product, as in the case of cement.</p> <p>c. <b>Processing industry-</b> which involves successive stages for manufacturing finished products, as in the case of sugar and paper.</p>	4

	d. <b>Assembling industry</b> - which assembles different component parts to make a new product, as in the case of television, car, computer, etc	
29	<p>It is an organisation created under the Companies Act, 2013 or any other previous Company Law. The management of the organisation is regulated by the provisions of the Companies Act, like any other public limited company. The employees of the organisation 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, containing the objects and its rules and regulations of the organisation.</p> <p>A. Identify the form of public enterprise B. Explain any (2) merits and (1) demerit of the identified form of public enterprise</p> <p><b>GOVERNMENT COMPANY</b></p> <p><b>Merits:</b></p> <ul style="list-style-type: none"> <li>• A government company can be established by fulfilling the requirements of the Indian Companies Act. A separate Act in the Parliament is not required;</li> <li>• It has a separate legal entity, apart from the Government;</li> <li>• It enjoys autonomy in all management decisions and takes actions according to business prudence;</li> <li>• These companies by providing goods and services at reasonable prices are able to control the market and curb unhealthy business practices.</li> </ul> <p><b>Limitations:</b></p> <ul style="list-style-type: none"> <li>• Since the Government is the only shareholder in some of the companies, the provisions of the Companies Act does not have much relevance;</li> <li>• It evades constitutional responsibility, which a company financed by the government should have. It is not answerable directly to the Parliament;</li> <li>• The government being the sole shareholder, the management and administration rests in the hands of the government. The main purpose of a government company, registered like other companies, is defeated.</li> </ul>	4
30	The cooperative society is compulsorily required to be registered under the Cooperative Societies Act 1912. The process of setting up a cooperative society is simple enough and at the most what is required is the consent of at least ten adult persons to form a society. The capital of a society is raised from its members through issue of shares. Explain Consumers and Producer's Cooperative Societies (2 Points Each)	4

	<p><b>1. Consumer's Cooperative Society:</b></p> <ul style="list-style-type: none"> <li>▪ The consumer cooperative societies are formed to protect the interests of consumers.</li> <li>▪ The members comprise of consumers who are interested in obtaining good quality products at reasonable prices.</li> <li>▪ The society aims at eliminating middlemen to achieve economy.</li> <li>▪ It purchases goods in bulk directly from the wholesalers and sells goods to the members.</li> <li>▪ Profits, if any, are distributed on the basis of either their capital contributions to the society or purchases made by individual members</li> </ul> <p><b>2. Producer's Cooperative Society</b></p> <ul style="list-style-type: none"> <li>▪ These societies are set up to protect the interest of small producers.</li> <li>▪ The members comprise of producers interested in procuring inputs for production of goods to meet the demands of consumers.</li> <li>▪ The society supplies raw materials, equipment and other inputs to the members and also buys their output for sale.</li> <li>▪ Profits among the members are generally distributed on the basis of their contributions to the total pool of goods produced or sold by the society.</li> </ul>	
31	<p>a. What are Services</p> <p>b. Enumerate the different types of Bank Accounts</p> <p>Services are those separately identifiable, essentially intangible activities that provides satisfaction of wants, and are not necessarily linked to the sale of a product or another service. Services are intangible, inconsistent and inseparable.</p> <p><input type="checkbox"/> <b>Current Account:</b> Current Accounts are basically meant for businessmen. These deposits are the most liquid deposits and there are no limits for number of transactions or the amount of transactions in a given period. Most of the current accounts are opened in the names of firm / company.</p> <p><input type="checkbox"/> <b>Savings account:</b> Savings accounts are for encouraging savings by individuals. Banks pay rate of interest as decided by RBI on these deposits. Withdrawal from these accounts has some restrictions in relation to the amount of transaction as well as</p>	6

	<p>number of transactions in a given period.</p> <p>❑ <b>Fixed Deposit Accounts:</b> Fixed accounts are time deposits with higher rate of interest as compared to the savings accounts. Here the depositors are supposed to continue such Fixed Deposits for the length of time for which the depositor decides to keep the money with the bank.</p> <p>❑ <b>Recurring deposit accounts:</b> It is suitable for people who do not have lump sum amount of savings, but are ready to save a small amount every month. It is a special kind of term deposit offered by banks which help people with regular incomes to deposit a fixed amount every month into their recurring deposit account and earn interest at the rate applicable to fixed deposits.</p> <p>❑ <b>Multiple option deposit account:</b> It is a combination of savings account and fixed deposit account which provide specific options to the depositors. It is a type of saving Bank A/c in which deposit in excess of a particular limit gets automatically</p> <ol style="list-style-type: none"> <li>transferred into Fixed Deposit. and the account holder will get more rate of interest.</li> </ol>	
32	<p>Explain any (4) Four Principles of Insurance with one example each</p> <p>❑ <b>Utmost good faith:</b> A contract of insurance is a contract of uberrimae fidei i.e., a contract found on utmost good faith. Both the insurer and the insured should display good faith towards each other in regard to the contract. It is the duty of the insured to voluntarily make full, accurate disclosure of all facts, material to the risk being proposed and the insurer to make clear all the terms and conditions in the insurance contract.</p> <p>❑ <b>Insurable Interest:</b> Insurable interest means some pecuniary interest in the subject matter of the insurance contract. The insured must have an interest in the preservation of the thing or life insured, so that he/she will not suffer financially on the happening of the event against which he/she is insured. In case of insurance of property, insurable interest of the insured in the subject matter of the insurance must exist at the time of happening of the event. In order to name insurable interest however, it is not necessary that one should be the owner of the property. For example, a trustee holding property on behalf of others has an insurable interest in the property</p>	6

	<p>❑ <b>Indemnity:</b> According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event insured against. In other words, the insurer undertakes to compensate the insured for the loss caused to him/her due to damage or destruction of property insured. The compensation payable and the loss suffered are to be measured in terms of money. The principle of indemnity is not applicable to life insurance</p> <p>❑ <b>Proximate cause:</b> According to this principle, an insurance policy is designed to provide compensation only for such losses as are caused by the perils which are stated in the policy. When the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is the natural consequence. In case of loss arising out of any mishap, the most proximate cause of the mishap should be taken into consideration</p> <p>❑ <b>Subrogation:</b> It refers to the right of the insurer to stand in the place of the insured, after settlement of a claim. After the insured is compensated for the loss or damage to the property insured by him/her the right of ownership of such property passes on to the insurer. This is because the insured should not be allowed to make any profit, by selling the damaged property or in the case of lost property being recovered.</p> <p>❑ <b>Contribution:</b> As per this principle it is the right of an insurer who has paid claim under an insurance, to call upon other liable insurers to contribute for the loss of payment. It implies, that in case of double insurance, the insurers are to share the losses in proportion to the amount assured by each of them. In case there is a loss, when there is more than one policy on the same property, the insured will have no right to recover more than the full amount of his actual loss. If the full amount is recovered from one insurer the right to obtain further payment from the other insurer will cease.</p> <p>❑ <b>Mitigation:</b> This principle states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property. Suppose goods kept in a store house catch fire then the owner of the goods should try to recover the goods and save them from fire to minimise the loss or damage. The insured must behave with great prudence and not be careless just because there is an insurance cover. If reasonable care is not taken like any prudent person, then the claim from the insurance company may be lost.</p>	
33	<p>Explain the (6) steps to be taken in the stage of Capital Subscription</p> <p>Ans. The following steps are required for raising funds from the public:</p>	

(i) **SEBI Approval:** SEBI (Securities and Exchange Board of India) which is the regulatory authority in our country has issued guidelines for the disclosure of information and investor protection.

A public company inviting funds from the general public must make adequate **disclosure of all relevant information**.

(ii) **Filing of Prospectus:** A copy of the prospectus or statement in lieu of prospectus is filed with the Registrar of Companies. A prospectus is 'any document described or issued as a prospectus including any notice, circular, advertisement or other document inviting deposits from the public or inviting offers from the public for the subscription.

(iii) **Appointment of Bankers, Brokers, Underwriters:** Raising funds from the public is a stupendous task. The application money is to be received by the bankers of the company.

The brokers try to sell the shares by distributing the forms and encouraging the public to apply for the shares.


If the company is not reasonably assured of a good public response to the issue, it may appoint underwriters to the issue. Underwriters undertake to buy the shares if these are not subscribed by the public. They receive a commission for underwriting the issue. Appointment of underwriters is not necessary.

(iv) **Minimum Subscription:** In order to prevent companies from commencing business with inadequate resources, it has been provided that the company must receive applications for a certain minimum number of shares before going ahead with the allotment of shares.

According to the Companies Act, this is called the 'minimum subscription'.

As per the SEBI Guidelines the limit of minimum subscription is 90 per cent of the size of the issue. Thus, if applications received for the shares are for an amount less than 90 per cent of the issue size, the allotment cannot be made, and the application money received must be returned to the applicants.

(v) **Application to Stock Exchange:** An application is made to at least one stock exchange for permission to deal in its shares or debentures. If such permission is not granted before the expiry of ten weeks from the date of closure of subscription list, the allotment shall become void, and all money

	<p>received from the applicants will have to be returned to them within eight days.</p> <p><b>(vi) Allotment of Shares:</b> Till the time shares are allotted, application money received should remain in a separate bank account and must not be used by the company. In case the number of shares allotted is less than the number applied for, or where no shares are allotted to the applicant, the excess application money, if any, is to be returned to applicants or adjusted towards allotment money due from them.</p>	
34	 <p>This is a body corporate and can sue and be sued, enter into contract and acquire property in its own name. 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. It 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. 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. At times, some officers are taken from government departments, on deputation, to head these organizations.</p> <p>a. Identify the type of public enterprise explained above b. Explain any (2) merits and (3) demerits of the above identified concept</p> <p><b>Statutory Corporation</b></p> <p><b>Merits:</b></p> <ul style="list-style-type: none"> <li>• They enjoy independence in their functioning and a high degree of operational flexibility. They are free from undesirable government regulation and control;</li> <li>• Since the funds of these organizations do not come from the central budget, the government generally does not interfere in their financial matters, including their income and receipts;</li> </ul>	6

	<ul style="list-style-type: none"> <li>• Since they are autonomous organizations, they frame their own policies and procedures within the powers assigned to them by the Act. The Act may, however, provide few issues/matters which require prior approval of a particular ministry;</li> <li>• A statutory corporation is a valuable instrument for economic development. It has the power of the government, combined with the initiative of private enterprises</li> </ul> <p><b>Limitations:</b></p> <ul style="list-style-type: none"> <li>• In reality, a statutory corporation does not enjoy as much operational flexibility as stated above. All actions are subject to many rules and regulations;</li> <li>• Government and political interference has always been there in major decisions or where huge funds are involved;</li> <li>• Where there is dealing with public, rampant corruption exists;</li> <li>• The Government has a practice of appointing advisors to the Corporation Board.</li> </ul> <p>This curbs the freedom of the corporation in entering into contracts and other decisions. If there is any disagreement, the matter is referred to the government for final decisions. This further delay actions.</p>	
--	---	--