INDIAN SCHOOL AL WADI AL KABIR

Class: XI	**Department: Commerce**
Subject:	**BUSINESS STUDIES**
Worksheet: 2	**Chapter 2 : Part B - Formation of a company**

Q. No.	OBJECTIVE TYPE QUESTIONS
1	Which of the following is the first stage in the formation of a company? A. Incorporation B. Capital Subscription C. Promotion D. Commencement of Business
2	Which document contains rules for internal management? A. MOA B. AOA C. Prospectus D. Certificate of commencement
3	Certificate of Incorporation is issued by: A. Promoter B. Registrar of Companies C. Government D. Director
4	A public company must issue: A. MOA B. AOA C. Prospectus D. Certificate
5	A person who undertakes to form a company is called: A. Director B. Promoter C. Shareholder D. Auditor
6	Which document defines the objectives of the company? A. Prospectus B. Articles of Association C. Memorandum of Association D. Certificate of Incorporation
7	Which clause defines liability of members? A. Object clause B. Name clause C. Liability clause D. Capital clause
8	Which of the following is the correct sequence of stages in the formation of a public company? A. Incorporation, Promotion, Capital Subscription, Commencement of Business B. Promotion, Incorporation, Capital Subscription, Commencement of Business C. Promotion, Capital Subscription, Incorporation, Commencement of Business D. Promotion, Incorporation, Commencement of Business, Capital Subscription

9	Which of the following statements is not true for a sole proprietorship? A. A sole trader is not bound by law to publish his business's accounts. B. Sole proprietorship is the possibility of entering into business with minimal legal formalities. C. Death, insanity, imprisonment, physical ailment or bankruptcy of the sole proprietor will have a direct and detrimental effect on the business and may even cause closure of the business. D. In the eyes of the law, business and businessman are separate entities. Options: i) a and b , ii) d only iii) c only iv) a,b and c
10	Read the following statements -Assertion (A) and Reason (R) and choose the correct alternative. Assertion (A): Two MSW students Aliya and Binila entered into an agreement where they have agreed to collect old clothes from households, process it with dying and other patch works and later distribute them to the orphanages. This cannot be considered as a partnership business. Reason (R): Two people coming together for charitable purposes will not constitute a partnership. A. Both Assertion and Reason are correct and the Reason is a correct explanation of the Assertion. B. Both Assertion and Reason are correct but Reason is not a correct explanation of the Assertion. C. The Assertion is correct but the Reason is incorrect. D.Both the Assertion and Reason are incorrect
11	The minimum and maximum number of partners in a firm as per the Indian Companies Act 2013 are _________________. A. 2 and 10 B. 5 and 100 C. 2 and 50 D. 2 and 100
12	Which of the following statement is not true for a minor as a partner? A. Since a minor is incompetent to enter into a valid contract, he cannot become a partner in a firm. B. A minor can be admitted to the benefits of a firm with the mutual consent of all the other partners. C. The liability of the minor partner is limited. D. A minor partner is eligible take active part in the management of the firm.
13	Mr. Ravi runs a laundry shop for last 15 years. Recently he finds it difficult to go ahead with the shop's functioning as he is facing health issues. Before liquidating the business, his assets are valued at 85,000 and liabilities valued at 1,00,000. What will be the remedy in this situation to arrange for paying for the liabilities? A. The owner will have to bring 15,000 from his personal sources. B. The owner may have to sell his personal property and repay the debts. C. Need not pay for the liabilities. D. Both (a) and (b).
14	The partnership form of business in India is governed by __________ Act. A. Indian Partnership Act 1932 B. Indian Companies Act 2013

	C. Indian Stamp Act 1899 D. The Companies (miscellaneous) Rules 2014
15	*Directions: In the following questions, a statement of Assertion (A) is followed by a statement of Reason (R). Choose the correct option:* (a) Both A and R are true, and R is the correct explanation of A. (b) Both A and R are true, but R is not the correct explanation of A. (c) A is true, but R is false. (d) A is false, but R is true. **A:** Certificate of incorporation is conclusive evidence of registration. **R:** A company is a separate legal entity from the date on the certificate.
	DESCRIPTIVE TYPE QUESTIONS
1	Rohan and Anita, two engineering graduates, identified an opportunity to develop an affordable, AI-powered smart home automation system in India. They conducted market research, analysed technical feasibility, estimated initial capital requirements, and approached a Chartered Accountant to prepare the preliminary documents. They also identified a location for their registered office. **Questions:** 1. Identify the stage in the formation of a company described above. 2. Who is identified as the 'Promoter' in the above case?
2	"TechWave Innovations Ltd." has completed its preliminary research. The promoters have drafted the Memorandum of Association (MOA) and Articles of Association (AOA). The MOA defines the company's objects and its relationship with the outside world, while the AOA outlines internal management rules. They have filed these documents with the Registrar of Companies along with the consent of the first directors. Questions: A. Identify the stage of company formation being described. B.Which document is known as the "charter" of the company, and why? C.What certificate does the company receive after successful submission and verification of these documents?
3	"Golden Harvest Ltd.", a newly incorporated public company, wants to raise funds from the general public. They have obtained approval from the Securities and Exchange Board of India (SEBI), issued a prospectus, and have appointed bankers and brokers to manage the public issue. The directors have decided that if they do not receive a minimum subscription within the stipulated time, they will return the money. **Questions:** 1. Which stage of company formation is "Golden Harvest Ltd." currently in? 2. What is the significance of the "minimum subscription" mentioned above? 3. What final certificate must the company obtain before starting business operations?
4	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." 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?

5	Riya formed a public limited company. After incorporation, the company was required to raise huge funds. A legal advisor guided Riya to prepare a prospectus explaining the details of the company, its objectives, capital structure, and risk factors, and file it with the Registrar before inviting the public. Answer the following questions. a. What is a prospectus? b. Explain the first three steps required for raising funds from the public.
6	Sinan, a 18 year old student while doing his graduation in web designing, invented a business idea for giving an automatic neck shoulder massage to the designers while sitting for long hours. This small machinery would work electronically as well as with battery power. While continuing the course, he has decided to start a venture as a private limited company. He has approached an expert who can help him out to set his business as a company. a. Name the major step undertaken by Sinan as a person conceived the business idea? b. Explain any three functions to be performed by Sinan at the first step. c. What are the two major documents to be prepared at the time of formation of this company?
7	Name the stages in the formation of a company.
8	Arjun and his friends decided to start a company to manufacture eco-friendly packaging materials. They discussed their business idea, conducted market research, and prepared all necessary documents. They applied for name approval and then submitted the required documents to the Registrar of Companies (ROC). After receiving the Certificate of Incorporation, they started raising funds from the public by issuing shares. However, they could not begin business operations immediately. **Questions** 1. Identify and explain the stage of company formation when Arjun and his friends were discussing the business idea and conducting research. 2. What is the significance of the Certificate of Incorporation received by them? 3. Name the stage in which the company raises funds from the public. 4. Why were they unable to start business operations immediately after raising funds?
9	Differentiate between the memorandum of association and articles of association. (any3)
10	At which stage in the formation of a company does it interact with SEBI?