

Sample Question Paper
Elements of Business
Code - (154)
Class-X
Summative Assessment - 2
March 2011

DESIGN OF THE SAMPLE QUESTION PAPER

Time Allowed : 3 Hrs

Maximum Marks : 80

Type of Questions	No. of Questions	Mark of each Question	Total
Multiple choice Questions	16	1	16
Short Answer Questions	16	3	48
Long Answer Questions	4	4	16
	36		80

Duration of the Examination - 3 hrs.

Evaluation will be done from the following topics

Unit III	Sources of Raising Funds.	30
Unit IV	Banks	30
Unit V	Negotiable Instruments	20
	TOTAL	80

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General Instructions:

1. *The question paper has 36 questions in all.*
2. *All questions are compulsory.*
3. *Questions from serial no. 1 to 16 are Multiple Choice of Questions. These are to be answered by writing the correct option in your answersheet.*
4. *Questions from Sl. no. 17 to 32 carry 3 marks each. Answers to such questions should not exceed 10 words.*
5. *Questions from Sl. no. 33 to 36 carry 4 marks each. Answers to such questions should not exceed 150 words.*
6. *Attempt all parts of a question together.*

1. Which of the following is an internal source of finance: 1
(a) Relatives and friends (b) Banks
(c) Sahukar (d) Retained profit
2. Public deposit is a source of finance for: 1
(a) Partnership Firm (b) Joint stock company
(c) Co-operative Society (d) Sole trader
3. Which of the following is a source of long term finance: 1
(a) Trade Credit (b) Factoring
(c) Bank Credit (d) Leasing Finance
4. Which of the following is correct about overdraft: 1
(a) Money credited by banks in a separate bank account.
(b) Facility of loan given in the existing Current Account.
(c) Loan limit based on the value of security placed with the bank.
(d) Interest is charged on the free amount of loan credited.
5. A market in which shares are bought and sold is a 1
(a) Stock Exchange (b) Commodity market
(c) Whole sale market (d) Retail market

6. A Joint stock company collects long term finance through 1
 (a) Instalments credit (b) Issue of Equity shares
 (c) Cash Credit (d) Advances by customers
7. A Hundi which is payable after a specified time is known as 1
 (a) Darshani Hundi (b) Muddati Hundi
 (c) Sahajog Hundi (d) Dhanijog Hundi
8. A Cheque which is payable to a person, who presents it for payment at the bank counter is called: 1
 (a) Order Cheque (b) Bearer Cheque
 (c) Crossed Cheque (d) Mutilated Cheque
9. A banking facility enabling customer to withdraw cash 24 hours a day is called: 1
 (a) Credit Card (b) Net Banking
 (c) ATM (d) Phone Banking
10. A negotiable instrument on which acceptance is a must is called: 1
 (a) Promissory note (b) Bill of Exchange
 (c) Hundi (d) Cheque
11. A cheque issued on 1st June, 2010 and bears a date 25th May, 2009 is called: 1
 (a) Ante dated cheque (b) Post dated cheque
 (c) Stale cheque (d) Mutilated cheque
12. A bank account in which overdraft facility is allowed to an account holder is called: 1
 (a) Savings Bank Account (b) Current Deposit Account
 (c) Fixed Deposit Account (d) Recurring Deposit Account
13. Which of the following is a secondary function of a bank: 1
 (a) Accepting deposits (b) Discounting of bills
 (c) Giving educational Loans (d) Advancing Loans
14. A leaf by which a bank allows an account holder to withdraw cash from his saving bank account is called: 1
 (a) Credit Card (b) Pay in slip
 (c) Withdrawl form (d) ATM
15. Which of the following is a private sector bank
 (a) State Bank of India (b) Reserve Bank of India
 (c) Bank of Baroda (d) ING VYSYA Bank Limited

16. The instrument through which bank directs its another branch to pay a certain money mentioned in the instrument to the named person/firm is called.
- (a) Cheque (b) Bill of Exchange
(c) Endorsed cheque (d) Demand draft
17. Explain in brief any three factors determining the working capital of a business. 3
18. State the meaning of 'trade credit', 'factoring' and 'advance from customers' as a source of short term finance. 3
19. Give six advantages of equity shares to the Shareholders 3
20. Explain Debenture as a source of Long term finance. State its any two merits. 3
21. Describe Industrial Finance Corporation of India and State Finance Corporation as a source of long term finance. 3
22. Explain mutual fund and its kinds. 3
23. Give the name of central bank of our country. Explain in brief the two important functions of this bank. 3
24. You want to deposit cash of Rs. 20,000 in your Saving Bank Account. Give in detail the procedure you will follow in depositing the cash. 3
25. State any six secondary functions of a Commercial Bank. 3
26. Explain 'E-banking' in your own words. 3
27. State the meaning and use of credit card and ATM Card. 3
28. Give any three advantages and three disadvantages of taking long term loan from banks. 3
29. Negotiable means transferable and instrument means document thus negotiable instrument means a transferable document. But apart from these there are other essential features of a negotiable instrument. State any six of the features. 3
30. Give any six situations under which a bank can dishonour a cheque. 3
31. Explain Darshni Hundi and Muddati Hundi. 3
32. Explain the meaning of endorser and endorsee by giving an example. 3
33. Describe the procedure of opening a Saving Bank Account in the post office. 4
34. Draw a specimen of a bill of exchange. 4
35. Distinguish between Bill of Exchange and Promissory Note on the following basis:
- (i) Parties (ii) Acceptance
(iii) Maker (iv) Liability of drawer/Maker 4
36. Describe any four functions of Stock Exchange. 4

Marking Scheme
Elements of Business
Class-X
Code - (154)
Term - II

Time Allowed : 3 Hrs

Maximum Marks : 80

Answers.

Q1.	d	1
Q2.	b	1
Q3.	d	1
Q4.	b	1
Q5.	a	1
Q6.	b	1
Q7.	b	1
Q8.	b	1
Q9.	c	1
Q10.	b	1
Q11.	c	1
Q12.	b	1
Q13.	c	1
Q14.	c	1
Q15.	d	1
Q16.	d	1

17. Any three of the following with brief explanation.

- | | |
|--------------------------------|-----------------------------|
| (a) Nature of Business | (b) Size of business |
| (c) Period of production cycle | (d) Inventory turnover rate |
| (e) Credit Policy | |

1x3=3

18. (1) Credit facility given by distributors to traders and manufacturers on sale of raw material and finished goods is called a trade credit. Generally the credit period is for 30 to 40 days. 1
- (2) Factoring is a method of short term finance. Under this system the business can take loan from bank against amount to be received from debtors. 1
- (3) Sometimes the businessman takes advance from the customer against the order of goods placed by them. Advance is asked only when order is of large quantity and of high value. 1
19. Any six advantages of equity shares to the shareholders
- (1) Owner of the company
- (2) Profit with risk
- (3) Can easily be sold in the share market
- (4) Share prices rise with the rise in profit of the company
- (5) Limited liability - upto the nominal value of shares held.
- (6) Voting right - participation in management of the company. $\frac{1}{2} \times 6 = 3$
20. Debenture is a loan taken by company which will be repaid after a certain specified period. Debenture holders are the creditors of the company. The company issues debenture certificates indicating rate of interest and charge on assets of the company. 1

Merits:-

- (i) Fixed rate of interest. (with brief statement.)
- (ii) Non interference in the management
- (iii) Availability of funds
- (iv) Ordinarily secured
- (v) Priority in refund of funds (Any two of the above) $1 \times 2 = 2$

21. Industrial Finance Corporation of India Ltd.

- (i) It is the oldest financial institution established in 1948 to give finance for long term and medium term. The loan is advanced for extension & diversification of activities of the industrial and business houses for a maximum period of 25 yrs. It stands as a guarantor for issue of debentures. The Corporation performs the function of underwriting bonds and debentures.
- (ii) State Finance Corporation-SFC's are established by all states with an object to give financial assistance to all kinds of Industrial (sole trader, partnership and Joint stock company) institutions. The main object of these institutions is to increase industrial development in the state, SFC's give direct loan for long term, They subscribe to debentures also.

22. **Mutual fund**:- It is established in the form of a trust with an object to invest in different kinds of securities. It is an investment institution which functions as middleman between investor and business. It collects small savings and invests it in financially sound concerns. Kinds - Open ended and close ended.

23. Reserve Bank of India. 1

Any two functions of the following-

- (i) Issuance of currency notes and regulating their circulation in the country.
- (ii) Providing guidance to other banks whenever they face any problem (Banker's bank)
- (iii) Government's banker.
- (iv) Recording of Government revenue and expenditure under various heads.
- (v) Deciding interest rate for bank deposits and bank loans. 1x2=3

24. Procedure for depositing cash :

- (i) Use pay-in-slip which is a printed form and is available in the bank.
- (ii) Fill in the different columns of date of deposit, name of account holder, account number, amount deposited in figures and words.
- (iii) Write at the indicated place the number of notes of different denominations being deposited. (Rs. 1000, 500, 100, 50, 20, 10, 5) etc.
- (iv) Sign on the pay in slip.
- (v) Fill its counter foil also.
- (vi) Present the pay-in-slip-with depositing money at the Cashier counter. The cashier will count the cash and after satisfying himself he will sign on the counter foil with, stamp and return. It is a proof of cash deposited in the bank. 3

25. Any six secondary functions:-

- (i) Issuing letter of credit, travellers' cheque.
- (ii) Safe deposit vaults/Locker facility.
- (iii) Foreign exchange dealing facilities.
- (iv) Transfer of money from one account to another.
- (v) Collecting and supplying business information.
- (vi) Educational loans to students.
- (vii) Providing reports on the credit worthiness of the customers.
- (viii) Consumer finance for individuals etc. $\frac{1}{2} \times 6 = 3$

26. All banking transactions taking place in your account as deposit, withdrawal clearance of cheques and payment made by bank on your behalf under your instruction can be known through Computer. Banking activity carried on through computers and other electronic means of communication is called 'electronic banking' 3

27. **Credit Card** - it is issued by bank to persons who may or may not have an account in the bank. This card is used to make payments for purchase, so that the individual does not have to carry cash. Bank allows certain credit period to the cardholder to make payment of the credit amount. The interest is generally charged at a high rate if a cardholder does not make payment of the amount within stipulated time.

ATM - Banks have installed their own ATMs through out the country at convenient locations. By using this customers can deposit or withdraw money from their account any time. ATM cards are issued by the banks with a confidential number allotted to each cardholder. ATM cards are magnetic cards. The Cardholder operates ATM by using secret number. 1½

28. Advantages of long term loans from bank. Any three of the following:

- (i) It is a flexible source of finance
- (ii) Banks keep secret the financial activities of customers.
- (iii) It takes less time and involves less cost as compared to issue of shares and debentures.
- (iv) Bank does not interfere in the internal matters of the firm taking loan.
- (v) Loan can be returned in easy instalments. ½ x 3 = 1½

Disadvantages:

- 1. While giving loan banks mortgage the assets or demand personal guarantee. This reduces the capacity of taking such loan.
- 2. In case short term loan is repeatedly renewed, it creates uncertainty in its continuity.
- 3. Many legal formalities are to be completed at the time of taking loan. It results in delay and inconvenience. 1½ = 3

29. Any six of the following stated:

- 1. It is freely transferable
- 2. Negotiability confers absolute and good title on the transferer .
- 3. It must be in writing.
- 4. There must be unconditional order.
- 5. It involves payment of a certain sum of money only and nothing else.
- 6. Time of payment must be certain
- 7. Payee must be a certain person.

8. It must bear the signature of its maker.
9. Delivery of the instrument is essential.
10. Stamping on B/E & Promissory note is mandatory. $\frac{1}{2} \times 6 = 3$

30. Any six of the following.

1. It is a stale cheque ie. it bears a date which is more than six months old.
2. When the cheque is post dated.
3. When the signature of the drawer differs from his/her specimen signatures.
4. When amount in word and figures differs.
5. When a crossed cheque is presented at the counter.
6. When cutting is not signed by the drawer.
7. When there is no sufficient amount in the account.
8. When the payment of the cheque has been stopped by the drawer

OR

Any other correct reason. $\frac{1}{2} \times 6 = 3$

31. (a) Darshini Hundi : It is a hundi payable at sight. It is similar to demand bill.
- (b) Muddati Hundi : This hundi is payable after the specified period. This is similar to time bill.
- (c) Sahjog Hundi : This is drawn by one merchant on another asking the latter to pay the amount to a shah (respectable and responsible person.) This hundi passes from one hand to another till it reaches the shah. $1 \times 3 = 3$

32. (a) **Endorser** : The holder of a bill of exchange who transfers by putting up his signatures on the back of it and some times writing the name of the person to whom it is transferred.

$\frac{1}{2}$

- (b) **Endorsee** : A person in whose favour the bill is endorsed. He becomes entitled to receive the money of the bill at the time of maturity. $-1\frac{1}{2}$

$1\frac{1}{2} + \frac{1}{2} = 3$

33. Steps in opening and operating a saving bank account in the post office with brief explanation:

1. Filling up the form and introduction
2. Specimen signature
3. Deposit of money with account
4. Withdrawal from the deposit account. $1 \times 4 = 4$

34. Specimen of a Bill of Exchange

Rs. 10000 (½)		New Delhi (½)
		Date:..... (½)
Three months after date pay to us or our order, the sum of Rupees ten thousand only for value received.		(½)
To		Stamp
M/s.....(½)	<i>Accepted</i>	S/d..... (½)
.....	<i>Sd..... (½)</i>	Partner
		(½)
		$\frac{1}{2} \times 8 = 4$

	Basis	Bill of Exchange	Promisory note
1.	Parties :	Three- drawer, drawee & payee	Two - maker & payee
2.	Acceptance :	Needed	Not needed
3.	Drawer/maker :	Creditor is the drawer	Debtor is the maker
4.	Liability :	Drawer's liability is secondary	Maker's liability is primary
			$1 \times 4 = 4$

36. Any four functions with a brief statement:-

- (i) Regular market for listed securities
 - (ii) Information regarding sale price of securities.
 - (iii) Protection to transaction & investments
 - (iv) Mobilisation of savings
 - (v) Barometer of business and economic conditions.
 - (vi) Proper flow of funds.
- $1 \times 4 = 4$