CLASS -XI

BUSINESS STUDIES (054)

Sample Paper (2026-27)

Maximum Marks: 80

Marking Scheme/Hints to solutions

[Note: Any other relevant answer, not given here under but given by the candidates, be suitably awarded.]

Q.No	Value points/ Key points	Marks allotted to each key point	Total marks
1.	A) Place Utility, Time Utility	1	(1)
2.	D) One Person Company	1	(1)
3.	C) Preference Shares	1	(1)
4.	D) 1 and 3	1	(1)
5.	C) Licensing and Franchising	1	(1)
6.	B) Its employees are government servants, and its funding comes directly from the government treasury through annual budget allocations.	1	(1)
7.	C) I-C, II-A, III- D, IV-B	1	(1)
8.	A)Both the statements are true	1	(1)
9.	B) Debit Card for Rohan; Credit Card for Aarav	1	(1)
10.	A)Both Assertion (A) and Reason (R) are True and Reason (R) is the correct explanation of Assertion (A)	1	(1)
11.	B) The invention should be new and involve an inventive step. It should not be obvious to a person skilled in that field.	1	(1)
12.	B) Small Enterprise	1	(1)
13.	B) Facility is financed and owned by the private sector	1	(1)
14.	A) Departmental Store	1	(1)

15.	D)GST is based on the principle of destination-based consumption tax	1	(1)
16.	D)Statement II is true, Statement I is false	1	(1)
17.	B) General Agreement on Tariffs and Trade (GATT)	1	(1)
18.	B) Indent	1	(1)
19.	B) 3 years	1	(1)
20.	A) Semiconductor integrated circuits layout design	1	(1)
21.	(A) Contribution of MSME's-(any three points) (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 employment opportunities per unit of capital invested compared to large industries. They are, therefore, considered to be more labour intensive and less capital intensive. This is a boon for a labour surplus country like India. (iii) MSME in our country supply an enormous variety of products which include mass consumption goods, readymade garments, hosiery goods, stationery items, soaps and detergents, domestic utensils, leather, plastic and rubber goods, processed foods and vegetables, wood and steel furniture, paints, varnishes, safety matches, etc. (iv) MSME which produce simple products using simple technologies and depend on locally available resources both material and labour can be set up anywhere in the country. Since they can be widely spread without any locational constraints, the benefits of industrialisation can be reaped by every region. They, thus, contribute significantly to the balanced development of the country (v) MSME provide ample opportunity for entrepreneurship. The latent skills and talents of people can be channelled into business ideas which can be converted into reality with little capital investment and almost nil formalities to start a small business.) MSME also enjoy the advantage of low cost of production. Locally available resources are less expensive. Establishment and running costs of small	1x3=3	(3)

	industries are on the lower side because of low overhead expenses. (vii) Due to the small size of the organisations, quick and timely decisions can be taken without consulting many people as it happens in large sized organisations. OR (B) Ways to provide financial assistance to start-ups (any three) (i) Boot strapping: Commonly known as self financing, it is considered as the first funding option .Also, at a later stage, investors consider it as the merit. However, it is a good option of funding only if the initial requirement is small and handy. (ii) Crowdfunding: It is the pooling of resources by a group of people for a common goal. Crowdfunding is not new to India. There are many instances of organisations reaching out to common people for funding.These platforms help startups or small businesses to meet their funding requirements. (iii) Angel investment: Angel investors are individuals with surplus cash who have keen interest to invest in upcoming startups. They also offer mentoring or advice alongside capital. (iv) Venture capital: There are professionally managed funds which are invested in companies that have huge potential. Venture capitalists provide expertise, mentorship and act as a litmus test of where a business organisation is going, evaluating business from sustainability and scalability point of view. (v) Business incubators and accelerators: Early stage business can consider incubator and accelerator programmes as a funding option. These programmes assist hundreds of startup businesses every year. These two are generally used interchangeably. Incubators and accelerators ably connect the startups with mentors, investors and fellow startups using this platform. (vi) Microfinance and NFBCs: Micro finance is access to financial services to those who either do not have access to conventional banking services or have not qualified for a bank loan. Similarly, NBFCs (Non Banking Financial Corporation) provides banking services without meeting legal requirement/definition of a bank	1x3=3	

22.	(a) No, the company will not receive compensation for the loss of the oranges. (b) Principle of Proximate Cause (Causa Proxima)-: 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.	1+1+1	(3)
23.	Three features of global enterprises are: **(i) 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. **(ii) 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. **(iii) 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.	½ mark each for identification + ½ mark each for explanation	(3)
24.	(A) Characteristics of business risk are(any three): **(i) Risk is an essential part of every business:** Every business has some risk. No business can avoid risk, although the amount of risk may vary from business to	1x3=3	(3)

	business. Risk can be minimised, but cannot be eliminated. **(ii) Business risks arise due to uncertainties:** 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., are some of the examples of uncertainty which create risks for business because the outcomes of these future events are not known. **(iii) Degree of risk depends mainly upon the nature and size of business:** 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. **(iv) Profit is the reward for risk taking**: 'No risk, no gain' is an age-old principle which applies to all types of business. Greater the risk involved in a business, higher is the chance of profit. An entrepreneur undertakes risks under the expectation of higher profit. Profit is thus the reward for risk taking. OR (B) Objectives of business are (Any three): (i) **Market standing:** Maintaining goodwill and reputation of one's business is paramount to succeed and prosper. It helps in forming a distinct identity in the market and is referred to as market standing in relation to its competitors. A business enterprise must aim at standing on stronger footing in terms of offering competitive products at reasonable prices to its customers and serving them to their satisfaction. (ii) **Productivity:** Productivity is ascertained by comparing the value of output with the value of inputs. It is used as a measure of efficiency. In order to ensure continuous survival and progress, every enterprise must aim at greater productivity through the best use of available resources. **(iii) Physical and financial resources:** Any business requires physical resources, like plants, machines, offices, etc., and financial resources, i.e., funds to be able to produce and supply goods and services to its customers. The business enterprise must aim at acquiring these resources according to their	½ mark for each heading + ½ mark for explanation	

	requirements and use them efficiently. (iv) **Innovation:** Innovation is central to the growth of any business enterprise. It helps business to scale up and give competitive edge to the enterprise in the market. Innovation is defined as an introduction of new ideas or methods in the way something is done or made. There are two kinds of innovation in every business, i.e., (i) innovation in product or services; and (ii) innovation in various skills and activities needed to supply products and services. (v)**Earning profits**: One of the objectives of business is to earn profits on the capital employed. Profitability refers to profit in relation to capital investment. Every business must earn a reasonable profit which is so important for its survival and growth. (vi) **Social responsibility**: Social responsibility refers to the obligation of business firms to contribute resources for solving social problems and work in a socially desirable manner.		

25.	(A) Internal trade: Buying and selling of goods and services (within the boundaries of a nation are referred to as internal trade. (B) Services provided by wholesalers to Freshju are: **Expert advice**: As the wholesalers are in direct contact with the retailers, they are in a position to advice the manufacturers about various aspects including customer's tastes and preferences, market conditions, competitive activities and the features preferred by the buyers. They serve as an important source of market information on these and related aspects. **Storage:** Wholesalers take delivery of goods when these are produced in factory and keep them in their godowns/warehouses. This reduces the burden of manufacturers of providing for storage facilities for the finished products. They thus provide time utility.	½ mark for each identification + ½ mark for each explanation	(4)
26.	(A) Manufacturing industry: These industries are engaged in producing goods through processing of raw materials and, thus, creating form utilities. (B) the sub type of industry are: • Dev - Assembling industry which assembles different component parts to make a new product • Bhagya - Synthetical industry which combines various ingredients into a new product. • Sharvie - Processing industry which involves successive stages for manufacturing finished products	½ mark for each identification+ ½ mark For each explanation	(4)

27.	A)Features of mail order houses(any four): 1) Limited Capital requirement 2) Elimination of middlemen 3) Absence of bad debts 4) Wide reach 5) Convenience (ANY OTHER POINT WITH SUITABLE EXPLANATION) OR B)Benefits to firms of International Trade to firms(any four): 1) Prospects for higher profits 2) Increased capacity utilization 3) Prospects for growth 4) Way out to intense competition in domestic market 5) Improved business vision (WITH SUITABLE EXPLANATION)	1x 4 = 4 1x 4 = 4	(4)
28.	**B2B Commerce**: Here, both the parties involved in e-commerce transactions are business firms, and, hence the name B2B, i.e., business-to-business. Creation of utilities or delivering value requires a business to interact with a number of other business firms which may be suppliers or vendors of diverse	1 mark for each identific atio n+ 1 mark each explanati on	(4)
	inputs; or else they may be a part of the channel through which a firm distributes its products to the consumers. **B2C Commerce**: B2C (business-to-customers) transactions have business firms at one end and its customers on the other end. Although, what comes to one's mind instantaneously is online shopping, it must be appreciated that 'selling' is the outcome of the marketing process. And, marketing begins well before a product is offered for sale and continues even after the product has been sold.		

29.	The main elements of a life insurance contract are: (i) The life insurance contract must have all the essentials of a valid contract. Certain elements like offer and acceptance, free consent, capacity to enter into a contract, lawful consideration and lawful object must be present for the contract to be valid; (ii) The contract of life insurance is a contract of utmost good faith. The insured should be honest and truthful in giving information to the insurance company. He must disclose all material facts about his health to the insurer. It is his duty to disclose accurately all material facts known to him even if the insurer does not ask him In life insurance, the insured must have insurable interest in life assured. Without insurable interest the contract of insurance is void. In case of life insurance, insurable interest must be present at the time when the insurance is affected. It is not necessary that the insured should have insurable interest at the time of maturity also. (iv) Life insurance contract is not a contract of indemnity. The life of a human being cannot be compensated and only a specified sum of money is paid. That is why the amount payable in life insurance on the event is fixed in advance. The sum of money payable is fixed, at the time of entering into the contract. (ANY OTHER SUITABLE POINT) OR	1X 4 = 4	(4)

	The various types of telecom services are: (i) Cellular mobile services: These are all types of mobile telecom services including voice and nonvoice messages, data services and PCO services utilising any type of network equipment within their service area. They can also provide direct inter connectivity with any other type of telecom service provider. (ii) Fixed line services: These are all types of fixed services including voice and non-voice messages and data services to establish linkages for long distance traffic. These utilise any type of network equipment primarily connected through fiber optic cables laid across the length and breadth of the country. The also provide inter connectivity with other types of telecom services. (iii) Cable services: These are linkages and switched services within a licensed area of operation to operate media services, which are essentially oneway entertainment related services.The two-way communication including voice, data and information services through cable network would emerge significantly in the future. Offering services through the cable network would be similar to providing fixed services. (iv) VSAT services: VSAT (Very Small Aperture Terminal) is a satellite based communications service. It offers businesses and government agencies a highly flexible and reliable communication solution in both urban and rural areas. Compared to land-based services, VSAT offers the assurance of reliable and uninterrupted service that is equal to or better than land-based services. It can be used to provide innovative applications such as tele-medicine, newspapers-on-line, market rates and tele-education even in the most remote areas of our country. (v) DTH services: DTH (Direct to Home) is again a satellite-based media service provided by cellular companies. One can receive media services directly through a satellite with the help of a small dish antenna	1X 4 = 4	

	and a set top box. The service provider of DTH services provides a bouquet of multiple channels. It can be viewed on our television without being dependent on the services provided by the cable network services provider. (ANY FOUR)		
30.	(A) (i) Fixed capital requirements "*To meet anticipated higher demand in future, the company decides to set-up a larger manufacturing unit."* (ii) Working capital requirements: "*To manage the expenses arising due to seasonal surges in demand during the peak season like higher cost of inventory and packaging etc,* the company enters into an agreement with its supplier Fresh Fruits Enterprises who makes it readily available to ' REFRESHA' as its credit worthiness is already known . (B) Trade credit Trade credit is the credit extended by one trader to another for the purchase of goods and services. Trade credit facilitates the purchase of supplies without immediate payment. Such credit appears in the records of the buyer of goods as 'sundry creditors' or 'accounts payable'. Retained earnings: A company generally does not distribute all its earnings amongst the shareholders as dividends. A portion of the net earnings may be retained in the business for use in the future. This is known as retained earnings. It is a source of internal financing or self-financing or 'ploughing back of profits'.	½ mark for identification + ½ mark for quoting lines+ ½ mark each for identification of each source +½ mark for explanation	(4)

31.	(A) Environmental Protection (B) Some of the specific steps which can be taken by business enterprises for environmental protection are as stated below:(any five) (i) A definite commitment by top management of the enterprise to create, maintain and develop work culture for environmental protection and pollution prevention. (ii) Ensuring that commitment to environmental protection is shared throughout the enterprise by all divisions and employees. (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. (iv) Complying with the laws and regulations enacted by the Government for prevention of pollution. (v) Participation in government programmes related to management of hazardous substances, clearing up of polluted rivers, plantation of trees, and checking deforestation. (vi) Periodical assessment of pollution control programmes in terms of costs and benefits so as to increase the progress with respect to environmental protection. (vii) Arranging educational workshops and training materials to share technical information and experience with suppliers, dealers	1 mark for identification + 1 mark each for stating each step	(6)

32.	**Loans from financial institutions**: The government has established a number of financial institutions all over the country to provide finance to business organisations. These institutions are established by the central as well as state governments. They provide both owned capital and loan capital for long and medium term requirements and supplement the traditional financial agencies like commercial banks. As these institutions aim at promoting the industrial development of a country, these are also called 'development banks'. In addition to providing financial assistance, these institutions also conduct market surveys and provide technical assistance and managerial services to people who run the enterprises. This source of financing is considered suitable when large funds for longer duration are required for expansion, reorganisation and modernisation of an enterprise. (ANY OTHER SUITABLE POINT) OR **Commercial banks** occupy a vital position as they provide funds for different purposes as well as for different time periods. Banks extend loans to firms of all sizes and in many ways, like, cash credits, overdrafts, term loans, purchase/discounting of bills, and issue of letter of credit. The rate of interest charged by banks depends on various factors such as the characteristics of the firm and the level of interest rates in the economy. The loan is repaid either in lump sum or in installments. Bank credit is not a permanent source of funds. Though banks have started extending loans for longer periods, generally such loans are used for medium to short periods. The borrower is required to provide some security or create a charge on the assets of the firm before a loan is sanctioned by a commercial bank (ANY OTHER SUITABLE POINT)	2 marks for meaning+1 mark for each feature	(6)

33.	**(A) Memorandum of Association**: Memorandum of Association is the most important document as it defines the objectives of the company. No company can legally undertake activities that are not contained in its Memorandum of Association. As per section 2(56) of The Companies Act, 2013 **(B)** Memorandum of Association contains different clauses, which are given as follows: (i) The name clause: This clause contains the name of the company with which the company will be known, which has already been approved by the Registrar of Companies. (ii) Registered office clause: This clause contains the name of the state, in which the registered office of the company is proposed to be situated. The exact address of the registered office is not required at this stage but the same must be notified to the Registrar within thirty days of the incorporation of the company. (iii) Objects clause: 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. The main objects for which the company is formed are listed in this sub-clause. It must be observed that an act which is either essential or incidental for the attainment of the main objects of the company is deemed to be valid, although it may not have been stated explicitly. (iv) Liability clause: This clause limits the liability of the members to the amount unpaid on the shares owned by them. (v) Capital clause: This clause specifies the maximum capital which the company will be authorised to raise through the issue of shares. (ANY FOUR POINTS)	1 mark for identification+ 1 mark for statement+ 4 marks for explanation	(6)

34.	**Obtaining certificate of origin:** Some importing countries provide tariff concessions or other exemptions to the goods coming from a particular country. For availing such benefits, the importer may ask the exporter to send a certificate of origin. The certificate of origin acts as a proof that the goods have actually been manufactured in the country from where the export is taking place. This certificate can be obtained from the trade consulate located in the exporter's country. **Preparation of invoice:** After sending the goods, an invoice of the despatched goods is prepared. The invoice states the quantity of goods sent and the amount to be paid by the importer. The C&F agent gets it duly attested by the customs. **Obtaining mate's receipt**: The goods are then loaded on board the ship for which the mate or the captain of the ship issues mate's receipt to the port superintendent. A mate receipt is a receipt issued by the commanding officer of the ship when the cargo is loaded on board, and contains the information about the name of the vessel, berth, date of shipment, description of packages, marks and numbers, condition of the cargo at the time of receipt on board the ship, etc. The port superintendent, on receipt of port dues, hands over the mate's receipt to the C&F agent. OR **Receipt of shipment advice**: After loading the goods on the vessel, the overseas supplier dispatches the shipment advice to the importer. A shipment advice contains information about the shipment of goods. The information provided in the shipment advice includes details such as 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 vessel.	2 marks for each point 2 marks for each point	(6)

	Procurement of import license: There are certain goods that can be imported freely, while others need licensing. The importer needs to consult the Export Import (EXIM) policy in force to know whether the goods that he or she wants to import are subject to import licensing. In case goods can be imported only against the licence, the importer needs to procure an import licence. In India, it is obligatory for every importer (and also for exporter) to get registered with the Directorate General Foreign Trade (DGFT) or Regional Import Export Licensing Authority, and obtain an Import Export Code (IEC) number. This number is required to be mentioned on most of the import documents. **Obtaining foreign exchange:** Since the supplier in the context of an import transaction resides in a foreign country, he/she demands payment in a foreign currency. Payment in foreign currency involves exchange of Indian currency into foreign currency. In India, all foreign exchange transactions are regulated by the Exchange Control Department of the Reserve Bank of India (RBI). As per the rules in force, every importer is required to secure the sanction of foreign exchange. For obtaining such a sanction, the importer has to make an application to a bank authorised by RBI to issue foreign exchange. The application is made in a prescribed form along with the import licence as per the provisions of Exchange Control Act. After proper scrutiny of the application, the bank sanctions the necessary foreign exchange for the import transaction.		