

# J&K POLICE PUBLIC SCHOOL, MIRAN SAHIB, JAMMU

## SESSION 2018-19

### Practice worksheet-1 for class 11 JKPPS (Business Studies)

#### 1. Multiple Choice Questions

- Q1. Which of the following does not characterise business activity?  
(i) Production of goods and services  
(ii) Presence of risk  
(iii) Sale or exchange of goods and services  
(iv) Salary or wages
- Q 2. Which of the broad categories of industries covers oil refinery and sugar mills?  
(i) Primary                      (ii) Secondary  
(iii) Tertiary                      (iv) None of them
- Q3. Which of the following cannot be classified as an auxiliary to trade?  
(i) Mining                      (ii) Insurance
- Q4. The board of directors of a joint stock company is elected by:  
(i) General public                      (ii) Government bodies
- Q 5. Profits do not have to be shared. This statement refers to:  
(i) Partnership  
(ii) Joint Hindu family business  
(iii) Sole proprietorship  
(iv) Company
- Q7. The capital of a company is divided into number of parts each one of which are called:  
(i) Dividend                      (ii) Profit                      (iii) Interest                      (iv) Share

#### Q8. Multiple Choice Questions

Tick the appropriate answer

1. The structure in which there is separation of ownership and management is called  
(i) Sole proprietorship                      (ii) Partnership  
(iii) Company                      (iv) All business organizations
2. The Karta in Joint Hindu family business has:  
(i) Limited liability                      (ii) Unlimited liability  
(iii) No liability for debts                      (iv) Joint liability
3. In a cooperative society the principle followed is:  
(i) One share one vote                      (ii) One man one vote  
(iii) No vote                      (iv) Multiple votes
4. The board of directors of a joint stock company is elected by  
(i) General public                      (ii) Government bodies
5. Profits do not have to be shared. This statement refers to:  
(i) Partnership                      (ii) Joint Hindu family business  
(iii) Sole proprietorship                      (iv) Company
6. The capital of a company is divided into number of parts each one of which are called:  
(i) Dividend                      (ii) Profit

- (iii) Interest (iv) Share
7. The Head of the Joint Hindu family Business is called  
 (i) Proprietor (ii) Director  
 (iii) Karta (iv) Manager
8. Provision of residential accommodation to the members at reasonable rates is the objective of  
 (i) Producer's cooperative (ii) Consumer's objective  
 (iii) Housing cooperative (iv) Credit cooperative
9. A partner whose association with the firm is unknown to the general public is called  
 (i) Active partner (ii) Sleeping partner  
 (iii) Nominal partner (iv) Secret partner

## II. Short Answer Type Questions

- Q1. For which of the following types of business do you think a sole proprietorship form of organization would be more suitable, and why?  
 (i) Grocery store (ii) Medical store  
 (iii) Legal consultancy (iv) Craft centre  
 (v) Internet cafe (vi) Chartered accountancy firm
- Q2. For which of the following types of business do you think a partnership firm of organization would be more suitable, and why?  
 (i) Grocery store (ii) Medical store  
 (iii) Legal consultancy (iv) Craft centre  
 (v) Internet cafe (vi) Chartered accountancy firm
- Q3. Explain the following terms in brief:  
 (i) Perpetual succession (ii) Common seal  
 (iii) Karta (iv) Artificial person
- Q4. Compare the status of a minor in a Joint Hindu Family Business with that in a partnership firm.
- Q5. If registration is optional, why do partnership firms willingly go through this legal formality and get themselves registered? Explain.
- Q6. State the important privileges available to a private company.
- Q7. How does a cooperative society exemplify democracy and secularism? Explain.
- Q8. What is meant by 'partner by estoppel'? Explain.

### Q1. Answer: (CH 1)

1. (iv) 2. (i) 3. (i) 4. (ii) 5. (iv) 6. (i) 7. (ii)

### Q8 Answer: (CH 2)

1. (iii) 2. (ii) 3. (ii) 4. (iii)  
 5. (iii) 6. (iv) 7. (iii) 8. (iii) 9. (iv)

### Short answer type

**Answer Q1:** Sole proprietorship will be more suitable for grocery store, medical store, and internet cafe because:

It has easy formation and closure.  
 It needs limited resources.

He will be sole risk bearer which is not so high and profit recipient. He will have 100% control.

**AnswerQ2:** For legal consultancy and chartered accountancy firm, partnership firm will be more suitable because it has:

Ease of formation and closure

Balanced decision making

More funds

Sharing of risks

Maintain secrecy

**AnswerQ3:** (i) Perpetual Succession: Perpetual succession refers to continuous succession of a corporation. Perpetual succession is one of the remarkable features of a corporation. The very objective of a corporation is to have a perpetual succession, for there can not be a succession forever without incorporation. The company has perpetual succession. The death or insolvency of a shareholder does not affect its existence. A company comes into end only when it is liquidated according to provision of the Companies Act.

(ii) Common Seal: The expression 'Common Seal' is not defined in the Companies Act, 1956. General practice is to adopt the Common Seal, at the first Board Meeting of the company. It must be kept under the safe custody of authorized director/officer. The Articles of Association may set out how and when the common seal has to be affixed.

(iii) Karta: Karta is the head of Joint Hindu family business. He has unlimited liability and final decision making power.

(iv) Artificial Person: A person in the eyes of law is called an artificial person. An entity which has a separate legal entity in the eyes of law is called artificial person. A joint stock company and a cooperative society are artificial persons.

**Answer Q4:** A minor becomes a member of Joint Hindu Family Business by virtue of his birth. On the other hand, in partnership, minor can be a partner only in profits.

**AnswerQ5:** However registration is optional, partnership firms willingly go through this legal formality and get themselves registered because it has some merits:

1. Settlement of Claims: Registered firms can file suit against the third parties. So the rights of registered firms are safeguarded by law. But an un-registered firm or its partner cannot enforce its claim against the third parties or its co-partner.

2. Protection of Rights: The rights and privileges of new partner are also protected in registered firm. But if incoming partner fails to register himself, he will incur great risk, because he will not be in a position to file suit for his dues against his firm or his co-partners.

3. Protection of Property: The property of the retired or deceased partner continues to be liable for the acts firm does after his death or retirement until public notice is served for the change to registrar, So there is strong inducement for partners of registered firms to have the changes noted in the register. But if there is unregistered firm, the private property of the out-going partner will be considered liable to charge the debts in spite of retirement.

4. Protection to Creditors: Registered firm has to maintain correct, complete and up-to-date record of its partners who will be liable for the obligations of the firm. The statement recorded in the register regarding constitution of firm would afford a strong safeguard against untrue refusal of partnership and the evasion of liability to persons who want to deal with the firm.

**Answer6:** A company can be registered as a private company or a public company. When a company is incorporated as a private company, it enjoys certain privileges and exemptions when compared to a public company. Some of the privileges enjoyed by a Private Company are: The minimum number of members required to form a Private Company is only 2, whereas it is 7 in case of a Public Company. A Private company can start its business immediately after its incorporation. It need not obtain the Certificate of Commencement of Business.

'Certificate of Commencement of Business, is issued by the Registrar of Companies to Public Companies. Once a Company has been registered or formed, it shall apply for the Certificate of Commencement of Business in the prescribed form to the ROC (Registrar of Companies). Only after this certificate has been obtained it can commence its business. This certificate has to be obtained within 6 months from the date of incorporation of a Company.' No qualification shares and consent of the Director to act as a Director is required to be filed with the ROC at any time during the tenure of the company, as in case of a Public company.

A Private Company is not required to issue or file a prospectus or statement in lieu of prospectus with the Registrar of Companies.

'Prospectus, is an important document for a public company. It is nothing but an invitation to the public to subscribe for the shares of the Company. In case a public company does not intend to invite

the public to subscribe to the shares, it has to file a statement in lieu of prospectus. It is not required to have an index of members, as in case of a public company. The reason being the Companies Act limits the maximum number of members required for a Private Company to 50. It is not required to hold a statutory meeting or file a statutory report.

'Statutory meeting is a general meeting of the shareholders of the Company which has to be held within a period of not less than one month and not more than 6 months from the date, on which it is Entitled to commence its business.'" It is not required to offer new shares to existing shareholders in proportion to their shareholdings. In case of a Public Company further issue of capital shall be made to the persons who at the date of the issue are holders of the equity shares of the Company in proportion to their holding. A Private Company need to have a minimum of two directors only whereas a Public Company needs to have a minimum of three directors. All the Directors may be appointed by a single resolution in case of a Private Company. The Directors of a Private Company need not to retire by rotation i.e., they can be Permanent Directors.

**AnswerQ7:** Cooperative is a form of organization wherein persons voluntarily associate together as human beings on the basis of equality for the promotion of an economic interest for themselves. In a cooperative society, the power to take decisions lies in the hands of an elected managing committee. The right to vote gives the members a chance to choose the members who will constitute the managing committee and this

lends the cooperative society a democratic character. Also, 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. The membership of a cooperative society is voluntary. A person is free to join a cooperative society, and can also leave anytime as per his desire. Membership is open to all, irrespective of their religion, caste and gender. Thus, by keeping all these points in mind, a cooperative society exemplifies democracy and secularism.

**AnswerQ8:** When a person, by words spoken or written or by conduct, represents himself or herself, or consents to another representing him or her to anyone, as a partner in an existing partnership or with one or more persons not actual partners, he or she is liable to any such person to whom such representation has been made, who has, on the faith of such representation, given credit to the actual or apparent partnership and, if he or she has made such representation or consented to its being made in a public manner, he or she is liable to such person, whether the representation has or has not been made or communicated to such person so giving credit by or with the knowledge of the apparent partner making the representation or consenting to its being made, as follows:

1. If a partnership liability results, he or she is liable as though he or she were an actual member of the partnership.
2. If no partnership liability results, he or she is liable jointly with the other persons, if any, so consenting to the contract or representation as to incur liability, otherwise separately.
3. When a person has been thus represented to be a partner in an existing partnership, or with one or more persons not actual partners, that person is an agent of the persons consenting to such representation to bind them to the same extent and in the same manner as though that person were a partner in fact, with respect to persons who rely upon the representation where all the members of the existing partnership consent to the representation, a partnership act or obligation results; but in all other cases it is the joint act or obligation of the person acting and the persons consenting to the representation.