



SHRI VIDHYABHARATHI MATRIC HR.SEC.SCHOOL

SAKKARAMPALAYAM , AGARAM (PO) ELACHIPALAYAM

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COMMON HALF YEARLY EXAMINATION - 2018

STD: XII

14.12.2018

SUBJECT: COMMERCE

ANSWER KEY

MARKS : 90

Q. NO	CONTENT	MARK
SECTION - I		
I	CHOOSE THE CORRECT ANSWER	
1.	c) Limited capital	20x1=20
2.	c) a Joint Stock company	
3.	c) any one person	
4.	c) 2	
5.	b) optional	
6.	b) a firm	
7.	c) 7	
8.	a) chartered companies	
9.	a) 2	
10.	c) public limited companies	
11.	c) The board of Directors	
12.	c) 3	
13.	b) bear	
14.	b) buy and sell financial securities	
15.	a) 1995	
16.	d) 25	
17.	c) Amount of patronage given	
18.	b) Organize some essential service for the benefit of its members	
19.	b) public corporation	
20.	a) departmental organisation	
SECTION -II (any seven)		7x2=14
21.	Organisation: ❖ According to Urwick and Hunt, " A business is an enterprise which makes, distributes or provides an article or service which other members of the community need and are able and willing to pay for it".	1x1=2

22.	<p>Non – Corporate Enterprises:</p> <ul style="list-style-type: none"> ❖ Non-corporate business may be organised either as a sole proprietorship or as a partnership or as a joint hindu family business. 	2
23	<p>Dormant Partner:</p> <ul style="list-style-type: none"> ❖ The partners who merely contribute capital and do not take active interest in the conduct of the business of the firm are called sleeping or dormant or financing partners. 	2
24	<p>Management of Government Company:</p> <ul style="list-style-type: none"> ❖ Government companies are managed by Board of Directors. ❖ The members of this Board are nominated by the government which holds the majority of the shares. ❖ Government nominates its representatives to different sectors like labour, foreign collaborators, technical experts, consumers, etc. 	2
25.	<p>Statutory company:</p> <ul style="list-style-type: none"> ❖ Companies established by Special Acts of Parliament or State Legislatures are called statutory companies. The special Acts under which they are established regulate their functioning. Reserve Bank of India, Life Insurance Corporation of India etc. are of this type. 	2
26.	<p>Proxy:</p> <ul style="list-style-type: none"> ❖ The term ‘proxy’ may refer to a person who is authorized by a member for the purpose of attending a meeting. It also means the instrument by which the proxy is authorized. 	2
27.	<p>Managing Director:</p> <ul style="list-style-type: none"> ❖ Managing Director is a director who is entrusted with substantial powers of management, which would not be otherwise available to him. ❖ Routine administrative work is not included in the term “Substantial Powers of Management”. A managing director is appointed 	2
28.	<p>Security:</p> <ul style="list-style-type: none"> ❖ A security means a certificate or document indicating either ownership interest (share) or creditor ship interest (debenture). 	2
29.	<p>co-operatives ware houses:</p> <ul style="list-style-type: none"> ❖ These are mostly found in rural areas. It helps the members to get the facility of storing agricultural inputs. They will keep the finished goods, till they are despatched for sale through marketing co-operatives. 	2
30.	<p>Establish state enterprise</p> <ul style="list-style-type: none"> ❖ The Government thus, can own and control industry and business in two ways: <ul style="list-style-type: none"> (i) By starting a new unit. (ii) By taking over an existing industrial or commercial unit owned by private persons. 	2
	SECTION -III (any seven)	7x3=21
31.	<p>partner by estoppels:</p> <ul style="list-style-type: none"> ❖ A person may not be really a partner in the business. But by his behaviour he makes outsiders believe that he is a partner in the business. 	3

	<ul style="list-style-type: none"> ❖ Then, he is liable to such outsiders who advance money to the firm or enter into a contract under such false belief. ❖ Such a person is known as "partner by estoppel". He cannot later on deny that he is not a partner. 	
32.	<p>Characteristics of sole trader:</p> <ol style="list-style-type: none"> 1 One-man Ownership and Control 2 Capital Contribution 3 Unlimited Liability 4 Enjoyment of Entire Profit 5 No Separate Legal Entity 6. No Special Legislation 7. Registration 8. Duration 9. Simplicity 10. Local business 11. Self Employment 12. Small Capital <p style="text-align: center;">(Explain any 3)</p>	3 mark
33.	<p>The position of a minor partner may be studied under the following two heads:</p> <p>a. Position before attaining majority</p> <ul style="list-style-type: none"> ❖ He has a right to share the property and profits of the firm as may have been agreed upon. ❖ He has a right to have access to and inspect and take a copy of the accounts of the firm. ❖ His liability is confined only to the extent of his share in the profits and property of the firm. Over and above his capital, he is neither personally liable nor his private properties is liable. <p>b. Position after attaining majority</p> <ul style="list-style-type: none"> ❖ On attaining majority the minor partner has to decide within six months by giving notice whether he shall continue in the firm or not. ❖ If he decides to continue as partner, he becomes liable to the firm from the date, on which he was admitted as minor partner. If he decides not to continue as partner, he is not liable for the debts of the firm after the date of notice. 	3mark
34.	<p>Holding and Subsidiary Companies:</p> <p>A company becomes a holding company of another</p> <ul style="list-style-type: none"> ❖ If it can appoint or remove all or majority of the directors of the latter company or ❖ If it holds more than 50% of the equity share capital of the latter or ❖ If it can exercise more than 50% of the total voting power of the latter. <p>The other company which is so controlled is called subsidiary company.</p>	3mark
35.	<p>Domestic Company</p> <ul style="list-style-type: none"> ❖ Companies registered under the Companies Act, 1956 or under earlier Acts are considered domestic companies. 	3 mark
36.	<p>Position of Directors</p> <p>1. Directors as agents</p> <p>When the directors enter into contract with third parties, sign documents for and on behalf of the company etc. they act as the agent of the company. They bind the company by their acts.</p> <p>2. Directors as Trustees</p> <p>They are in the position of trustees, when they manage the assets and properties of the company. Similarly when they exercise the powers entrusted to them they are in the same position. It means that they should safeguard the interest of the</p>	3 mark

	<p>company and should never abuse the powers for promoting their personal ends.</p> <p>3. Directors as Officers</p> <p>Directors also act as officers of the company. When they have to manage the affairs of the company, they are in the position of Chief Executive Officers. Thus the directors combine in themselves the roles of agents, trustees and officers.</p>	
37.	<p>3. A partner has Implied Authority in the following cases</p> <ul style="list-style-type: none"> ❖ Buying, selling and pledging the goods of the firm. ❖ Receiving payment of the debts due to the firm and issuing receipts for them. ❖ Settling accounts with the persons dealing with the firm. ❖ Engaging servants for the partnership business. ❖ Borrowing and repaying loans for the firm. ❖ Drawing, accepting, endorsing bills and other negotiable instruments in the name of the firm. ❖ Operating the bank account on behalf of the firm. ❖ Taking legal action and defending such actions on behalf of the firm. 	3 mark
38.	<p>Working of SEBI</p> <ul style="list-style-type: none"> ❖ SEBI has been carrying on its duties successfully. It has issued and clarified guidelines on disclosure and investor protection. ❖ It has also issued guideline for merchant bankers, advertising code for mutual funds. To safeguard the interests of investors, it has registered a number of investors associations. ❖ A series of advertisement are also being issued by SEBI to educate investors. Also, it has recognized many self-regulatory organisations. 	3 mark
39.	<p>Formation of a co-operative society : (ANY 3)</p> <ul style="list-style-type: none"> ❖ A co-operative society must be registered under the Cooperative Societies Act, 1912 or any other state Co-operative law. A co-operative society can be started with a minimum of 25 persons, having a common interest. ❖ An application has to be submitted to the Registrar of Cooperative Societies expressing their intention. ❖ The application form is known as Memorandum of Association. It should contain the name and address of the society its objectives, the capital and liability of the members. ❖ A copy of the bye-laws stating the rules and regulations of the society should be attached along with the application form. The system of management, procedure with regard to meetings, resolutions, are stated in the bye-laws. ❖ The Registrar will, carefully scrutinise the documents in order to ensure that they are in accordance with the provisions of the Act. ❖ When he is fully satisfied he will enter the name of the society in his register and. issue the Certificate of Registration. ❖ By issue of this certificate, the society comes into existence as a body corporate having a separate legal entity. 	3marks
40.	<p>Features Departmental undertakings: (ANY 3)</p> <ul style="list-style-type: none"> ❖ Departmental undertakings are wholly dependent on government for finance. ❖ The management of the enterprises is in the hands of the government. The enterprises are managed and controlled by the civil servants of a government department with a minister at the top. He is responsible to answer to the parliament for the operations of the undertaking. ❖ The downward delegation of authority is effected from the top executive to every part of the organization i.e it represents the line authority relationship between the executives at various levels. 	3marks

- ❖ It is financed through annual budget appropriations made by the legislature. State treasury provides finances and surplus money (profits) is deposited in the treasury.
- ❖ The affairs of the business are subjected to strict government budgeting, accounting and auditing. The accounting and audit control, applicable to other government departments are applicable to state enterprises also.
- ❖ The departmental undertakings enjoy legal immunity i.e., it is part of the government. So, no legal action can be taken against it without the permission of the Government.

SECTION -IV

7x5=35

41. **TYPES OF BUSINESS ORGANISATION**

INDIVIDUALISTIC INSTITUTIONS

GOVERNMENT INSTITUTIONS

1. Sole Trader
2. Joint Hindu Family
3. Partnership
4. Joint Stock company
5. Co-operatives
6. Multinational companies

1. Departmental Undertaking
2. Public Corporation
3. Government Company
4. Board organization

Government Company

- ❖ Government Company is also established under the Companies Act of 1956. It is a company in which not less than 51% of paid up share capital is held by the central government or by one or more state governments or jointly by the central and state governments. In India the Government Companies also subscribe share capital of the Private Company and so sometimes it is known as mixed ownership company. It is a body corporate independent of the government.

5mark

(or)

MINUTES

- ❖ The term minutes refers to accurate official record of decisions taken at various company meetings. Every company must keep the minutes containing summary of all proceedings of general and Board meetings in books. Minutes should be brief and factual. It should be so accurate as not to give room for misinterpretation. It should be free from superfluous words.

The following particulars should be present in the minutes.(ANY 5)

- ❖ Nature of meeting – Annual General, Extraordinary, Board, etc
- ❖ Date, time and place of meeting
- ❖ Names of chairman, directors, secretary, and number of members attending
- ❖ Business of the meeting in the order set out in the agenda
- ❖ Approval of the minutes of the last meeting
- ❖ Resolutions passed in the meeting
- ❖ Chairman’s signature with date

42.	Role of sole trading in the society: 1. Solution to unemployment problem (Explain any 5) 2. Provides Investment Avenues 3. Provision of goods at low price 4. Helps small producers 5. Supply of Quality goods 6. Philanthropic Activities 7. Equal Distribution of Income and Wealth 8. Helpful to consumers	5x1=5
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	<p style="text-align: center;">(or)</p> <p>ADVANTAGES OF PARTNERSHIP : The following are the advantages of partnership form of organisation.</p> <ul style="list-style-type: none"> ❖ Easy Formation ❖ Registration not compulsory ❖ Larger Financial Resources ❖ Greater Managerial Talent ❖ More Credit Standing (Explain any 5) ❖ Quicker and Better Business Decisions ❖ Sharing of Risk ❖ Relationship between Reward and Work ❖ Protection of Minority Interests ❖ Flexibility ❖ Close Supervision ❖ Easy Dissolution ❖ Better Human and Public Relations 	
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43.	<p>DIFFERENCE BETWEEN SHARES AND DEBENTURE (ANY 5)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Sl. No.</th> <th style="width: 20%;">Basis of Difference</th> <th style="width: 30%;">Shares (Shareholders)</th> <th style="width: 40%;">Debentures (Debenture holders)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">Rights</td> <td>Shares represent a part of the share capital of the company</td> <td>Debentures constitute loan to the company. Debenture holder is only a creditor of the company</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">Payment of</td> <td>Dividend is paid to the company only when there are adequate profits.</td> <td>Interest is payable at stated intervals regardless of profit or loss. Directors have no discretion in the matter.</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">Level of profit</td> <td>While a fixed rate is paid on preference shares, the rate of dividend paid to equity shareholders changes with the level of profits</td> <td>A fixed rate of interest is payable.</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">Approval</td> <td>Dividend is payable only when it is recommended by the Board and approved by the general meeting share holders.</td> <td>The question of getting approval for payment of interest does not arise</td> </tr> </tbody> </table>	Sl. No.	Basis of Difference	Shares (Shareholders)	Debentures (Debenture holders)	1	Rights	Shares represent a part of the share capital of the company	Debentures constitute loan to the company. Debenture holder is only a creditor of the company	2	Payment of	Dividend is paid to the company only when there are adequate profits.	Interest is payable at stated intervals regardless of profit or loss. Directors have no discretion in the matter.	3	Level of profit	While a fixed rate is paid on preference shares, the rate of dividend paid to equity shareholders changes with the level of profits	A fixed rate of interest is payable.	4	Approval	Dividend is payable only when it is recommended by the Board and approved by the general meeting share holders.	The question of getting approval for payment of interest does not arise	5 mark
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5	Payment of returns	Dividend paid is an appropriation of profit.	Interest paid is a charge on the profit
6	Liability	The liability of a shareholder is limited of the unpaid amount of the shares	There is no such liability
7	Issue at discount	Shares can be issued at a discount only under certain conditions specific in the companies Act.	There is no such restriction on the issue of debentures at a discount
8	Charge on assets	Shares have no charge on the assets of the company.	Debentures are generally secured
9	Return of Capital	Shares are no repayable during the life time of the company except in the case of redeemable preference shares	Debentures are redeemable either at a fixed date or at the option of the company during the lifetime itself.
10	Participation in meetings.	Shareholders being members of the company are entitled to participate in the company meeting and to vote. They also enjoy other privileges of membership.	Debenture holders being only creditors of the company are not entitled to attend such meeting except Debenture holders' meeting.
11	Repayment of capital	At the time of winding up, share capital will be returned only after claims of all the outsiders including debenture holders are fully met.	Debenture holders have a prior claim over the shareholders even if they are unsecured.

(or)

Functions of SEBI

To provide the development of, and to regulate the securities market SEBI undertakes the following function

- ❖ Regulating the business in stock exchanges.
- ❖ Registering and regulating the working of stock brokers, sub brokers, issue bankers, underwriters and such other intermediaries who may be associated with securities markets in any manner.
- ❖ Registering and regulating the working of collective investment schemes including mutual funds.
- ❖ Promoting and regulating self-regulatory organisations.
- ❖ Prohibiting fraudulent and unfair trade practice relating to securities market.
- ❖ Promoting investor's education and training of intermediaries of securities market.
- ❖ Prohibiting insider trading in securities.

	<ul style="list-style-type: none"> ❖ Regulating substantial acquisition of shares and take-over of companies Calling for information from, undertaking inspection, conducting inquires and audits of the stock exchanges ❖ Performing such functions as may be delegated to it by the central government. 	
44.	<p>a) Meetings of Committee of Directors:</p> <ul style="list-style-type: none"> ❖ Since it is not possible for the Board to devote time to carry on investigation on different matters, the Board may delegate their powers to committees, if the Articles of Association so provides. ❖ The Board is empowered to delegate for example the following powers to any committee of directors. <ul style="list-style-type: none"> i. The power to borrow money, otherwise than on demand. ii. The power to invest the funds of the company. iii. The power to make loans, etc. <p>b) Meetings of Debenture holders</p> <ul style="list-style-type: none"> ❖ Such meetings are convened when the company wants to change the terms of security or to modify the rights, or to change the rate of interest payable, etc <p>c) Meetings of the Creditors</p> <ul style="list-style-type: none"> ❖ Meetings of creditors are held when the company proposes to make a scheme of arrangements with its creditors. 	5 marks
	<p style="text-align: center;">(or)</p> <p>Co-operative Movement in India: (any 5)</p> <ul style="list-style-type: none"> ❖ India is not a stranger to the idea of co-operation. Our ancient village economy was based on economic co-operation among the villagers. All the villagers co-operated in every activity in the village. References about Co-operation are made in Chanakya's ' Arthasastra'. ❖ When the British started ruling our country, our old system of village management disappeared. But the modern Co-operative movement started only from 1904. Our farmers were very much indebted to the greedy moneylenders and traders. ❖ Their economic status was very pitiable. The Government wanted to help them. So the then Madras Government sent one official, Mr.Nicholason, to Germany to study about the German Rural Credit Co-operatives. ❖ He recommended in 1895 that such Rural Credit Societies could be started in India also. So in 1904, the Central Government passed the Credit Co-operative Societies Act. ❖ A number of Credit Co-operatives were started to lend money cheaply to the rural people. But this Act did not provide the starting of other types of Co-operatives or Central Co-operatives. So in 1912, the Government of India Passed a new Act called the Co-operative Societies Act. ❖ This Act provided for the starting of different types of Societies and also Federations of Co-operatives. Under the Government of India Act of 1919, Co-operation became a Provincial (State) subject. ❖ Many provinces passed separate Acts to regulate the Co-operative Societies in their own Province (State). ❖ In Tamil Nadu the Madras Co-operatives Societies Act was passed in 1932. Now all Co-operatives in Tamil Nadu are regulated by the Tamil Nadu Co-operatives Societies Act, 1961. 	

<p>45.</p>	<p>Differences between a partnership firm and joint stock company (Any 5)</p> <table border="0"> <tr> <td>1. The Acts</td> <td>2. Registration</td> </tr> <tr> <td>3. Number of members</td> <td>4. Legal status</td> </tr> <tr> <td>5. Liability</td> <td>6. Transfer of shares</td> </tr> <tr> <td>7. Management</td> <td>8. Stability</td> </tr> <tr> <td>9. Procedural complexities</td> <td>10. Financial resources</td> </tr> <tr> <td>11. Membership</td> <td>12. Nature</td> </tr> <tr> <td>13. Audit</td> <td>14. Dissolution</td> </tr> </table>	1. The Acts	2. Registration	3. Number of members	4. Legal status	5. Liability	6. Transfer of shares	7. Management	8. Stability	9. Procedural complexities	10. Financial resources	11. Membership	12. Nature	13. Audit	14. Dissolution	<p>5 marks</p>
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	<p style="text-align: center;">(or)</p> <p>Duties of a Company Secretary:</p> <p>Statutory Duties:</p> <ul style="list-style-type: none"> ❖ To sign any document requiring authentication under any statute ❖ To arrange for filing statement in lieu of prospectus ❖ To deliver share or debenture certificate within 3 months of allotment or within 2 months of registration of transfer ❖ To file notice of situation of the registered office of the company ❖ To make a statutory declaration for getting the certificate of commencement of business and file it with the Registrar ❖ To sign the annual return ❖ To send notices of general meetings to every member of the Company ❖ To prepare minutes of every general and Board meetings or meetings of every committee of the Board within 30 days. ❖ To maintain a number of statutory books such as register of members, register of debenture holders, etc., <p>General Duties</p> <ul style="list-style-type: none"> ❖ To discharge his duties most diligently and honestly and not to act beyond the scope of his authorities. ❖ To maintain secrecy of confidential matters 															
<p>46</p>	<p>Benefits of Stock Exchange:</p> <p>Benefits to Companies</p> <ol style="list-style-type: none"> 1) A company whose shares are dealt in on a stock exchange enjoys great reputation in the capital market. 2) The marketability of shares is ensured and in consequence, the company enjoys a wide market for its shares. 3) Because of their shares listed on the stock exchange, the market value of shares of a company is likely to be higher in relation to earnings, dividends and property values. This helps the company in merger plans. 4) New companies can raise funds easily from the capital market because of indirect support provided by the stock exchange. 5) The activities of speculators save the listed securities from frequent fluctuations in the prices of securities. 	<p>5 marks</p>														
	<p style="text-align: center;">(or)</p> <p>Demeritsco-operative society:</p> <ul style="list-style-type: none"> ❖ Inefficient management ❖ Limited capital ❖ Lack of motivation ❖ Lack of co-operation ❖ Domination of vested members ❖ Non-transferability of interest ❖ Lack of secrecy ❖ Excessive government control ❖ No credit facility ❖ Political rivalries <p style="text-align: right;">(Explain any 5)</p>															

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Merits of departmental organization

- ❖ Complete Government Control
- ❖ Management
- ❖ Source of income for Government
- ❖ Helps in implementing Government Policies
- ❖ Proper use of Funds (Explain any 5)
- ❖ Secrecy
- ❖ Useful for Specific industries
- ❖ Legislative Control

5 marks

(or)

Types of shares**Preference Shares**

1. Cumulative preference shares.
2. Non-Cumulative preference shares.
3. Participating preference shares.
4. Non - Participating preference shares.
5. Convertible preference shares.
6. Non - Convertible preference shares.
7. Redeemable preference shares.
8. Irredeemable preference share.

Equity Shares

(Explain any 5)

Department of Commerce**SHRI VIDHYABHARATHI MATRIC HR.SEC.SCHOOL****SAKKARAMPALAYAM , AGARAM (PO) ELACHIPALAYAM****TIRUCHENGODE(TK), NAMAKKAL (DT) PIN-637202****Cell : 9965531727, 9865951332 ,9790633519,**

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