

HP Board Class 10 Commerce(Elements of Business) Question Paper with Solutions(Memory Based)

Time Allowed :3 Hour	Maximum Marks :60	Total Questions :24
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General Instructions

Read the following instructions very carefully and strictly follow them:

- Answers to this Paper must be written on the paper provided separately.
- You will not be allowed to write during the first 15 minutes
- This time is to be spent in reading the question paper.
- The time given at the head of this Paper is the time allowed for writing the answers,
- The paper has four Sections.
- Section A is compulsory - All questions in Section A must be answered.
- You must attempt one question from each of the Sections B, C and D and one other question from any Section of your choice.

1. Define a Joint Stock Company and explain any four of its key characteristics.

Solution:

Concept: A Joint Stock Company is a type of business organization that is owned by shareholders who purchase shares of the company's stock. The capital of the company is divided into small units called shares, and people who buy these shares become the owners of the company. Joint stock companies are formed to undertake large-scale business activities and are governed by company law.

Definition of Joint Stock Company:

A Joint Stock Company can be defined as a business organization in which the capital is divided into shares, and the shareholders are the owners of the company. The company has a separate legal identity and operates under the provisions of the Companies Act.

Key Characteristics of a Joint Stock Company:

1. **Separate Legal Entity:** A joint stock company has a legal identity separate from its shareholders. It can own property, enter into contracts, sue others, and be sued in its own name.
2. **Limited Liability:** The liability of shareholders is limited to the amount they have invested in the company. They are not personally responsible for the company's debts beyond their shareholding.
3. **Transferability of Shares:** Shares of a joint stock company can be easily transferred from one person to another. This allows shareholders to sell their ownership without affecting the existence of the company.

4. Perpetual Succession: A joint stock company continues to exist even if shareholders change, die, or leave the company. Its existence is not affected by the life of its members.

Additional Features:

1. Large Capital: A joint stock company can raise large amounts of capital by issuing shares to the public.

2. Professional Management: The management of the company is handled by a board of directors who are elected by the shareholders.

Quick Tip

A Joint Stock Company is characterized by **separate legal identity, limited liability, transferability of shares, and perpetual succession**. These features make it suitable for large-scale business operations.

2. Differentiate between a Partnership firm and a Sole Proprietorship with three points.

Solution:

Concept: A Sole Proprietorship and a Partnership are two common forms of business organization. They differ mainly in terms of ownership, management, and distribution of profits. Understanding these differences helps in selecting the appropriate form of business for different situations.

Difference between Sole Proprietorship and Partnership Firm:

Basis of Difference	Sole Proprietorship	Partnership Firm
Ownership	Owned and controlled by a single individual.	Owned by two or more persons who agree to run the business together.
Management and Decision Making	The owner makes all decisions and manages the business alone.	All partners share responsibility in managing the business and making decisions.
Distribution of Profits and Losses	The entire profit or loss is borne by the single owner.	Profits and losses are shared among partners according to the partnership agreement.

Explanation:

Sole Proprietorship: A sole proprietorship is the simplest form of business organization where one person owns, manages, and controls the entire business. The owner bears all risks and enjoys all profits.

Partnership Firm: A partnership firm is formed when two or more individuals agree to carry on a business together. They share capital, responsibilities, risks, and profits according to the partnership agreement.

Quick Tip

A **Sole Proprietorship** has **one owner**, while a **Partnership Firm** has **two or more owners**. In partnerships, profits and responsibilities are shared among partners.

3. Compare Ownership Capital (Equity) with Borrowed Capital (Debentures) and state three demerits of ownership capital.

Solution:

Concept: In a company, capital can be broadly classified into two types: **Ownership Capital** and **Borrowed Capital**. Ownership capital represents the funds invested by the owners of the company (shareholders), while borrowed capital refers to funds borrowed from external sources such as debenture holders or financial institutions. Both sources of capital differ in terms of ownership, control, and financial obligations.

Difference between Ownership Capital (Equity) and Borrowed Capital (Debentures):

Basis of Difference	Ownership Capital (Equity)	Borrowed Capital (Debentures)
Ownership	Equity shareholders are the owners of the company.	Debenture holders are creditors and not owners of the company.
Return on Investment	Shareholders receive dividends, which depend on the profits of the company.	Debenture holders receive a fixed rate of interest regardless of profit or loss.
Control and Voting Rights	Equity shareholders have voting rights and participate in management decisions.	Debenture holders do not have voting rights or control over management.

Demerits of Ownership Capital:

- 1. Dilution of Control:** Issuing equity shares to a large number of shareholders may reduce the control of existing owners over the company.
- 2. Uncertain Returns:** Equity shareholders receive dividends only when the company earns profits, making their returns uncertain.
- 3. Higher Cost of Capital:** Ownership capital is often considered more expensive because companies may need to share a significant portion of profits with shareholders.

Quick Tip

Ownership Capital represents funds contributed by the owners of the company, while **Borrowed Capital** refers to funds borrowed from creditors such as debenture holders. Equity shareholders bear higher risk but also enjoy ownership rights.

4. Differentiate between the Hire Purchase system and the Installment payment system with four key points.

Solution:

Concept: The Hire Purchase system and the Installment payment system are two common methods of purchasing goods by making payments over time. Although both involve paying the price in installments, they differ in terms of ownership, payment structure, and rights of the buyer and seller.

Difference between Hire Purchase System and Installment Payment System:

Basis of Difference	Hire Purchase System	Installment Payment System
Ownership of Goods	Ownership remains with the seller until the last installment is paid.	Ownership is transferred to the buyer immediately after the agreement is made.
Right to Use Goods	The buyer (hirer) gets possession and the right to use the goods during the payment period.	The buyer becomes the owner and user of the goods from the beginning.
Right of Seller on Default	If the buyer fails to pay installments, the seller can repossess the goods.	The seller cannot repossess the goods once ownership has been transferred.
Nature of Agreement	It is considered a hiring agreement until the final payment is made.	It is a sale agreement where ownership passes immediately to the buyer.

Explanation:

Hire Purchase System: Under this system, the buyer hires the goods and pays the price in installments. The ownership of the goods remains with the seller until the final installment is paid.

Installment Payment System: In this system, the buyer becomes the owner of the goods immediately after the agreement is made, even though the payment is made in installments.

Quick Tip

In the **Hire Purchase system**, ownership transfers only after the final payment, while in the **Installment system**, ownership is transferred immediately after the agreement.

5. Discuss the significance of Automatic Vending Machines (AVM) in modern retail trade.

Solution:

Concept: Automatic Vending Machines (AVM) are self-service retail machines that dispense products such as snacks, beverages, tickets, and other small items when a customer inserts

money, a card, or uses digital payment. These machines represent a modern method of retailing that combines convenience, technology, and efficiency in the distribution of goods.

Significance of Automatic Vending Machines in Modern Retail Trade:

1. Convenience for Customers: Automatic vending machines allow customers to purchase products quickly and easily without the need for a salesperson. They provide instant access to goods at any time.

2. 24-Hour Availability: AVMs can operate throughout the day and night. This allows customers to buy products even outside normal shop hours, making retail services more accessible.

3. Reduction in Operating Costs: Since vending machines operate automatically, businesses can reduce the cost of hiring sales staff and maintaining large retail spaces.

4. Efficient Use of Space: Vending machines require very little space compared to traditional retail stores. They can be installed in offices, railway stations, airports, hospitals, and schools.

5. Quick and Cashless Transactions: Modern vending machines often support digital payment methods such as cards and mobile payments, making transactions faster and more convenient.

6. Increased Sales Opportunities: Businesses can reach more customers by placing vending machines in high-traffic areas, thereby increasing sales without opening additional stores.

Quick Tip

Automatic Vending Machines are an important innovation in retail trade because they provide **quick service, 24-hour availability, lower operating costs, and convenience for customers.**

6. What is Mail Order Business? Identify the most appropriate modes of receiving payment for this business.

Solution:

Concept: Mail Order Business is a form of retail trade in which goods are sold directly to customers through postal or courier services without the need for a physical retail store. Customers place orders by mail, phone, or online based on advertisements or catalogs, and the goods are delivered to their address.

Definition of Mail Order Business:

Mail Order Business can be defined as a system of selling goods in which orders are received through mail, telephone, or online platforms, and the products are delivered to customers by post or courier after receiving payment.

Most Appropriate Modes of Receiving Payment:

1. Cash on Delivery (COD): In this method, the customer pays the amount in cash at the time of delivery of the goods. This is one of the most common and convenient methods used in mail order business.

2. Credit or Debit Cards: Customers can make payments using credit or debit cards through online or telephone transactions. This method is widely used for quick and secure payments.

- 3. Net Banking or Online Transfer:** Customers may transfer the payment directly from their bank account to the seller's account through internet banking or digital payment systems.
- 4. Cheques or Demand Drafts:** Some businesses accept payments through cheques or demand drafts sent by customers through the post before dispatching the goods.

Quick Tip

Mail Order Business allows customers to **order goods remotely and receive them by post or courier**. Common payment methods include **Cash on Delivery, credit/debit cards, online transfers, and cheques or demand drafts**.

7. Define Business Communication and explain the complete process of communication.

Solution:

Concept: Business communication refers to the exchange of information, ideas, messages, or instructions within and outside an organization for the purpose of achieving business objectives. Effective communication helps in coordination, decision-making, and maintaining good relationships among employees, management, and customers.

Definition of Business Communication:

Business Communication can be defined as the process of transmitting information and messages between individuals or groups within a business organization or between the organization and its external environment.

Process of Communication:

The communication process involves several steps through which a message is transmitted from the sender to the receiver.

- 1. Sender (Communicator):** The sender is the person who initiates the communication process. The sender has an idea or information that needs to be conveyed to others.
- 2. Encoding:** Encoding refers to the process of converting the idea or message into words, symbols, or gestures that can be understood by the receiver.
- 3. Message:** The message is the information, idea, or instruction that the sender wants to communicate to the receiver.
- 4. Channel or Medium:** The channel is the medium through which the message is transmitted. It may include letters, emails, telephone calls, reports, meetings, or other communication tools.
- 5. Receiver:** The receiver is the person or group for whom the message is intended. The receiver receives and interprets the message sent by the sender.
- 6. Decoding:** Decoding is the process by which the receiver interprets and understands the message based on their knowledge and perception.
- 7. Feedback:** Feedback is the response given by the receiver to the sender. It indicates whether the message has been understood correctly.

Quick Tip

The communication process follows a sequence: **Sender** → **Encoding** → **Message** → **Channel** → **Receiver** → **Decoding** → **Feedback**. Effective communication occurs when the receiver correctly understands the sender's message.

8. What are the advantages of using Letters and Emails as methods of business communication?

Solution:

Concept: Letters and emails are two important written methods of business communication. They are used to convey information, instructions, proposals, and official messages within and outside an organization. Both methods help maintain formal and clear communication in business activities.

Advantages of Business Letters:

- 1. Permanent Record:** Business letters provide a written record of communication that can be preserved for future reference.
- 2. Formal and Professional Communication:** Letters maintain a formal tone and are suitable for official business matters such as agreements, notices, and complaints.
- 3. Clarity and Accuracy:** Written communication allows the sender to carefully organize thoughts and present information clearly.
- 4. Legal Evidence:** Business letters may serve as legal evidence in case of disputes or misunderstandings.

Advantages of Emails:

- 1. Speed of Communication:** Emails allow messages to be delivered instantly, making communication faster than traditional letters.
- 2. Cost Effective:** Sending emails does not require printing, postage, or physical delivery, which reduces costs.
- 3. Easy Sharing of Information:** Emails allow the sender to attach documents, images, and files, making it easier to share information.
- 4. Convenient and Accessible:** Emails can be accessed from computers and mobile devices anywhere with internet access.

Quick Tip

Business letters are useful for formal and permanent records, while **emails** provide fast, cost-effective, and convenient communication in modern business environments.

9. List any three common barriers to effective business communication.

Solution:

Concept: Barriers to communication refer to the obstacles that hinder the effective exchange of information between the sender and the receiver. These barriers may distort the message, cause misunderstandings, or prevent the receiver from correctly interpreting the message.

Common Barriers to Effective Business Communication:

- 1. Language Barrier:** Language barriers occur when the sender and receiver use different languages or when complex words and technical terms are used. This may lead to confusion and misinterpretation of the message.
- 2. Physical Barrier:** Physical barriers include environmental factors such as noise, distance, poor network connection, or faulty communication equipment that interrupt the transmission of the message.
- 3. Psychological Barrier:** Psychological barriers arise from emotions, attitudes, stress, or personal biases of the sender or receiver. These factors may affect how the message is interpreted and understood.

Quick Tip

Effective communication can be hindered by barriers such as **language differences, physical disturbances, and psychological factors**. Removing these barriers improves clarity and understanding.