

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

**DESIGN OF THE SAMPLE QUESTION PAPER**

**Time Allowed : 3 Hrs**

**Maximum Marks : 80**

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

**Duration of the examination will be 3 hours.**

**Evaluation will be done from following topics :**

Unit 4	Mercantile Agents	20
Unit 5	Warehousing and Storekeeping	20
Unit 6	Transportation of goods	20
Unit 7	Insurance	20
		<b>80</b>

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**General Instructions:**

1. *The Question Paper has 36 questions in all. All questions are compulsory.*
2. *Questions from serial No. 1 to 16 are multiple choice questions. These are to be answered by writing the correct option in your answer sheet.*
3. *Answers to questions from serial number 17 to 32 carrying 3 marks may be from 50 to 70 words each.*
4. *Answers to questions from serial number 33 to 36 carrying 4 marks may be of about 150 words each.*
5. *Attempt all parts of a question together.*

1. Why is air transport preferred in mountainous areas? 1  
(a) Railways are always delayed                      (b) Roadways are too narrow  
(c) Mountainous area has a rough terrain.      (d) None of the above
2. Which is the best means of transport for transporting bulky goods in huge quantity? 1  
(a) Roadways                                                      (b) Railways  
(c) Air transport                                                      (d) None of the above
3. Which is the most environment friendly means of transport? 1  
(a) Air transport                                                      (b) Railways  
(c) Roadways                                                      (d) None of the above
4. Which is the major drawback of air transport? 1  
(a) It consumes a lot of fuel                              (b) It is not accessible to common people  
as it is expensive  
(c) Flights are always delayed                      (d) All of the above

5. Which of the following is not covered under the 'contract of Indemnity'? 1  
 (a) Fire insurance (b) Theft insurance  
 (c) Life insurance (d) Marine insurance
6. Which of the following is not covered under General Insurance? 1  
 (a) Theft insurance (b) Marine insurance  
 (c) Life insurance (d) Fire insurance
7. The fee charged by the insurer on account of providing services is called..... 1  
 (a) Assured (b) Insurance  
 (c) Policy (d) Premium
8. Which principle suggests that insured should try to minimize the loss of his property even if it is insured? 1  
 (a) inciple of indemnity (b) Principle of Mitigation  
 (c) Principle of Proximate Cause (d) Principle of contribution
9. Perishable goods should be stored in \_\_\_\_\_ 1  
 (a) Bonded warehouse (b) Cold storage  
 (c) Government warehouse (d) Co-operative warehouse
10. Which of the following is not a function of a warehouse? 1  
 (a) Storage (b) Risk-bearing  
 (c) Stabilisation in price (d) Ensuring Profit
11. Warehouses licensed by the government to accept imported goods before the payment of custom duty are known as:  
 (a) Warehouses (b) Bonded warehouses  
 (c) Government warehouses (d) Public warehouses
12. Warehouses create 1  
 (a) Place utility (b) Form utility  
 (c) Time utility (d) Service utility
13. Who authorizes Mercantile Agents to buy or sell goods? 1  
 (a) Commercial agent (b) Principal  
 (c) Broker (d) Agent

14. The one who solicits and procures business from potential customers on behalf of one or more principals, usually against payment of a percentage of the realized sales revenue as commission, is a: 1
- (a) Del credere agent (b) Broker  
(c) Commercial agent (d) Mercantile agent
15. A person who serves as a trusted agent or intermediary in the commercial transactions is called a: 1
- (a) Salesman (b) Buyer  
(c) Businessman (d) Broker
16. The amount paid to the broker for facilitating exchange of goods is called: 1
- (a) Brokerage (b) Sales  
(c) Revenue (d) Profit
17. Explain the following functions of warehousing- 3
- (a) Consolidation (b) To break the bulk  
(c) Stock piling
18. What are the value added services provided by the warehouses? 3
19. 'An insured is a cancer patient but does not disclose this fact in his proposal form'. Which principle of insurance is being violated? Explain 3
21. Explain any three merits of road transport. 3
22. "Warehousing plays an important role in business". Justify the statement by giving three reasons. 3
23. Explain any three demerits of water transport. 3
24. Goods kept in a store catch fire but as they are insured the owner does not take any steps to save them. Which principle of insurance is being violated? Explain. 3
25. Answer the following questions- 1+1+1=3
- (a) Name any two government agencies maintaining warehouses.  
(b) Who regulates the functioning of public warehouses?  
(c) Which warehouse facilitates entrepot trade?

26. Name and explain by giving an example the principle of insurance which states that the actual loss should be shared among all the insurers. 1+2=3
27. State any three duties of an agent. 3
28. Name and explain briefly the principle of insurance which states that
- (a) The person taking the insurance policy must have personal interest in the subject matter.
- (b) All the rights and remedies which the insured had are transferred to the insurer.
- $1\frac{1}{2} + 1\frac{1}{2} = 3$
29. Compare railways and roadways (any three points). 3
30. Discuss the various functions of a Commission Agent. 3
31. Compare air transport and sea transport (any three points). 3
32. Explain the various types of agents. 3
33. Write in brief about any four types of warehouses. 4
34. Explain the following principles of insurance- 2+2=4
- (a) proximate cause (b) indemnity
35. Explain any two merits and two demerits of air transport. 4
36. With reference to the 'Account Sales' explain any two of the following terms:-
- (i) Other receipts. (ii) Advance sent.
- (iii) Expenses paid to be reimbursed (iv) Commission receivable.
- (v) Amounts still to be collected. 3

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

**Time Allowed : 3 Hrs**

**Maximum Marks : 80**

**Answers.**

- |     |                                                                                                                                                             |   |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| 1.  | c                                                                                                                                                           | 1 |
| 2.  | b                                                                                                                                                           | 1 |
| 3.  | d                                                                                                                                                           | 1 |
| 4.  | d                                                                                                                                                           | 1 |
| 5.  | c                                                                                                                                                           | 1 |
| 6.  | c                                                                                                                                                           | 1 |
| 7.  | d                                                                                                                                                           | 1 |
| 8.  | b                                                                                                                                                           | 1 |
| 9.  | b                                                                                                                                                           | 1 |
| 10. | d                                                                                                                                                           | 1 |
| 11. | b                                                                                                                                                           | 1 |
| 12. | c                                                                                                                                                           | 1 |
| 13. | b                                                                                                                                                           | 1 |
| 14. | c                                                                                                                                                           | 1 |
| 15. | d                                                                                                                                                           | 1 |
| 16. | a                                                                                                                                                           | 1 |
| 17. | (a) Receiving and consolidating, material/ goods from different plants and supplying the same to a particular customer in a single transportation shipment. |   |

- (b) Dividing the bulk quantity into smaller quantities and then transporting them.
- (c) Storing of goods or raw material which are not required immediately for sale or manufacturing. 1 + 1 + 1 = 3

18. The value added services provided by warehouses are:

- (a) Packaging
- (b) Labeling
- (c) Grading

(1/2 mark for identifying+1/2 mark for explanation of each= 1x3=3 marks)

19. 'Principle of utmost good faith'. A contract of insurance is founded on utmost good faith. Both the insurer and the insured should voluntarily disclose all facts, material to the insurance contract. (1 mark for identifying + 2 marks for explanation = 1+2= 3 marks)

20. An instrument in writing, given by a broker to the seller of merchandise, in which it is stated that the goods therein mentioned have been sold for him.

<b>SOLD NOTE</b>
<p>Name of Purchaser _____</p> <p>Address: _____</p> <p>Occupation: _____</p> <p>Name of the buyer: _____</p> <p>Quantity Rs. _____ Rate _____</p> <p>Consideration Paid: Rs. _____</p> <p style="text-align: right;">(Broker)</p> <p>Dated: _____</p>

1 + 2 = 3 marks

21. (a) Door to door service
- (b) Small capital
- (c) Time saving especially for small distances. 1 x 3 = 3 marks
- [Or any other correct point]

22. (a) Protection of goods.
- (b) Useful for storing seasonal goods.
- (c) Maintaining stability of prices. 1x3=3 marks
- [Or any other correct point]

23. (a) Slow speed  
(b) Natural hindrance  
(c) Unsuitable for perishable goods. 1 x 3 = 3 marks  
[Or any other correct point]
24. Principle of mitigation. It states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property.  
(1 mark for identifying + 2 marks for explanation = 1+2= 3 marks)
25. (a) Food Corporation of India (FCI), Central Warehousing Corporation (CWC) ( or any other).  
(b) Government  
(c) Bonded warehouses. 1x3=3 marks
26. Principle of contribution. According to this principle, it is the right of the insurer who has paid a claim under insurance to call upon other liable insurers to contribute for the loss of payment.  
(1 mark for identifying + 2 marks for explanation = 1+2= 3 marks)
27. The duties of an agent are: (any three)
1. **Duty to follow principal's directions:** It is the duty of the agent to act in accordance with the order and directions of the principal. In the absence of clear-cut directions, the agent should follow the prevalent trade practices.
  2. **Duty to act with reasonable diligence and skill:** The agent is supposed to carry out the work of principal with due diligence. If some work is not done efficiently and with reasonable diligence, and the principal suffers the loss, then the agent may have to compensate for the loss.
  3. **Duty to render correct accounts:** It is the duty of the agent to render correct accounts of all the transactions to the principal from time to time or whenever asked for.
  4. **Duty to communicate:** It is the duty of the agent, in case of difficulty, to make all possible efforts to communicate with his principal and seek his instructions, before taking any steps during emergency or difficulty.
  5. **Duty not to delegate authority:** No agent can appoint a sub-agent to complete the work assigned by the principal. But, under certain circumstances, sub-agents can also be appointed.
  6. **Duty not to misuse authority:** It is the duty of the agent not to misuse the information obtained by him from his principal and from other sources and he should not try to make any personal gain.

7. **Duty to deduct his dues:** It is the duty of the agent to deduct expenses incurred and his commission from the total sale proceeds and pay the balance to the principal immediately.
8. **Duty not to deal in his own name:** It is the duty of the agent to ensure that he/she does not act in his/her own name and make personal gain out of the agency work.
9. **Duty to protect the interest of his principal:** In case of untimely death, bankruptcy or insanity of the principal, it is the duty of the agent to safeguard the interest of the principal.

1x3=3 marks

28. (a) 'Principle of Insurable Interest'. According to this principle, the insured must have some pecuniary interest in the subject matter of the insurance contract.
- (b) 'Principle of subrogation'. According to this principle, it is the right of the insurer to stand in place of the insured after the settlement of a claim as far as the right of the insured in respect of the recovery from an alternate source is involved.  $1\frac{1}{2}+1\frac{1}{2} = 3$  marks

Points of difference-	Railways	Roadways
(a) Distance	Suitable for long distance	Suitable for short distance
(b) Hilly areas	Not Suitable	Suitable
(c) Types of goods.	Bulky and heavy	Perishable and small quantities

1x3=3 marks

30. Commission agents render a series of useful services. These are: (any three)
  - (a) **Buying and selling of goods:** The commission agents buy and sell goods on behalf of their principals at the most favourable rates and terms. They determine which commodities or services are most suitable to the requirements and choose the supplier of the product or service accordingly. They negotiate with the supplier to get lowest price and finalise the deal.
  - (b) **Marketing services:** They perform certain marketing functions, such as storage of goods, sales promotion, transportation, etc.
  - (c) **Advisory services:** The commission agents advise their principals regarding the market conditions, when and where to buy or sell, when and how to store goods, and so on.
  - (d) **Providing financial assistance:** Sometimes, in case of need, the commission agents also provide advance money to their principals. Of course, they may charge interest thereon, if necessary.

1x3=3 marks

31. Points of difference-	Air	Water
(a) Speed	Fastest	Slow
(b) Cost	High	Low
(c) Suitability for carrying perishable goods.	Suitable	Not Suitable

1x3=3 marks

32. The various types of agents are: (any three)

- **MERCANTILE AGENT** : Agent who is authorized by a principal to buy or sell goods, and/or to raise a loan by using the principal's goods as a collateral.
- **COMMERCIAL AGENT or COMMISSION AGENT**: Agent who solicits and procures business from potential customers on behalf of one or more principals, usually against payment of a percentage of the realized sales revenue as commission.
- **FACTOR** : Person or firm who buys accounts receivable before their due date at a discounted price .
- **BROKER** : Person who serves as a trusted agent or intermediary in commercial negotiations or transactions. Brokers are usually licensed professionals in fields where specialized knowledge is required, such as finance, insurance, and real estate.
- **DEL CREDRE AGENT**: Sales agent who guarantees that a buyer is trustworthy and, in case the buyer defaults, compensates the principal (the seller). To cover such risks, del credere agents charge higher than normal commission rates. 1x3=3 marks

33. Any four out of the following: (with brief explanation)

- (a) Private warehouses
- (b) Public warehouses.
- (c) Bonded warehouses.
- (d) Government warehouses
- (e) Cooperative warehouses.

1x4=4 marks

34. (a) According to the Principle of Proximate Cause, the insurance policy is designed to provide compensation only for such losses as are caused by perils which are stated in the policy. When the loss is the result of two or more causes, the proximate cause means the most dominant and the most effective cause of which the loss is the natural consequence.
- (b) According to the Principle of Indemnity. The insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of

the event insured against.

2+2 = 4 marks

35. Merits-

- (a) Fastest means of transport.
- (b) Time saving.

Demerits-

- (a) costly
- (b) Limited carrying capacity.

2+2 = 4 marks

36. Any two out of the following:

1. **Other receipts:** The amount to be paid by the consignee may include the amounts received on account of sale of abnormal loss stocks, insurance realisations and sale of salvaged stock. These realisations would not form revenue for consignment business. Therefore, they cannot be included in the normal sale proceeds. However, since the consignee has to account for these realisations also he includes them in the account sales.
2. **Advance sent:** The consignee may have sent advances to the consignor at the time when goods have been consigned. These advances may be in the form of cash, cheques, bills (Bills Receivable to the consignor or Bills payable to the consignee), etc.
3. **Expenses paid to be reimbursed:** Unless there is an agreement to the contrary, the consignor has to bear all the expenses of the consignment. However, during the course of conduct of affairs the consignee may have to spend cash towards expenses in relation to the consigned goods. These expenses will be subsequently reimbursed by the consignor to the consignee. Therefore the consignee deducts these from the sale realisations and sends the remaining amounts to the consignor.
4. **Commission receivable:** The consignee may be entitled to one or more types of commissions. All these are collected from the sale proceed of consignment goods. Therefore the sale proceeds to be paid to the consignor would be the ones remaining after deducting the commission from them.
5. **Amounts still to be collected :** The amount due to be received by the consignor would be the amount left over after setting off the advances, commissions, expenses to be reimbursed, from the total receipts. The total receipts includes both cash receipts as well as collections in relation to credit sales. This implies that the Net amount due to be sent to the consignor may not be available with the consignee in cash.

2+2=4 marks