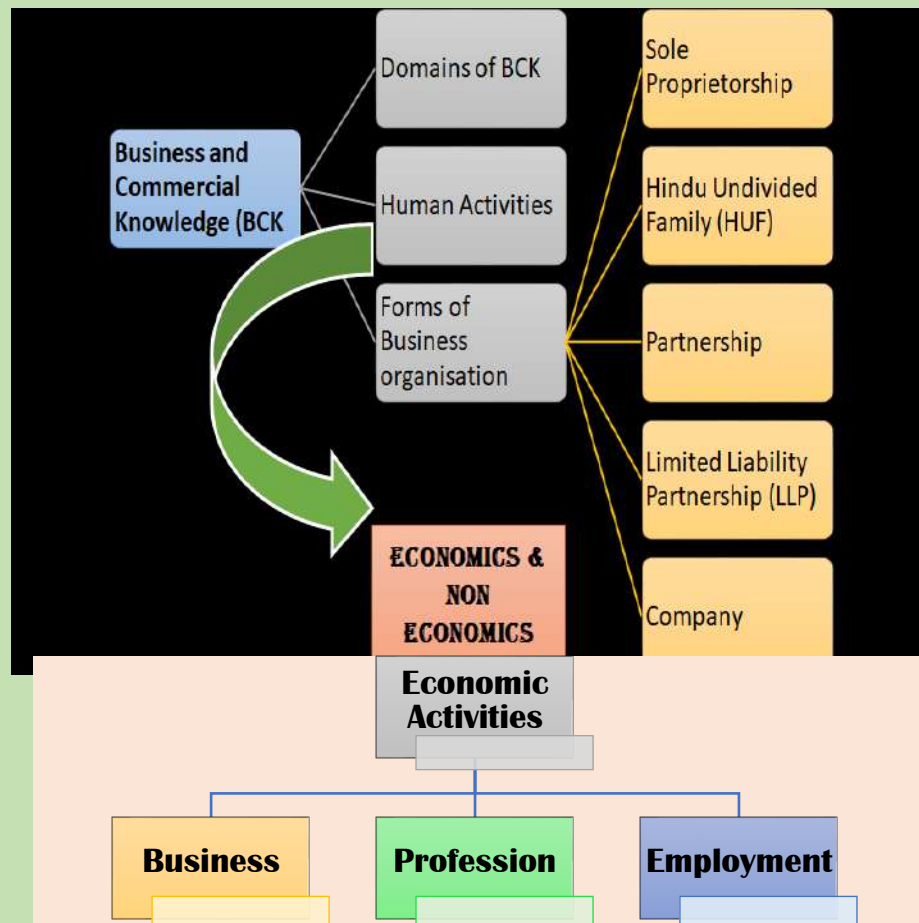


## Business & Commercial Knowledge

### Basics

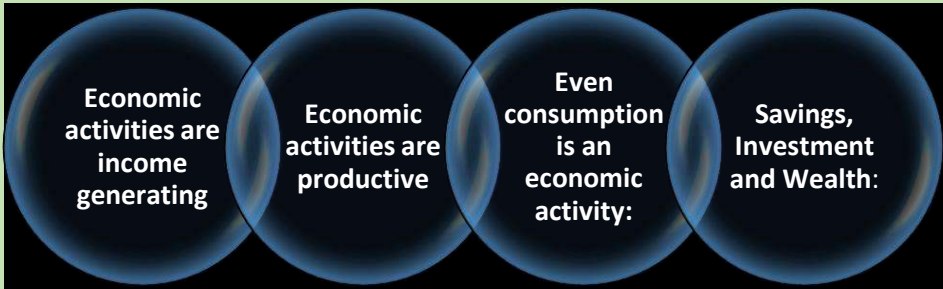
In this chapter, we elaborate on human activities whilst focusing on business and **the domain of business and commercial Knowledge**

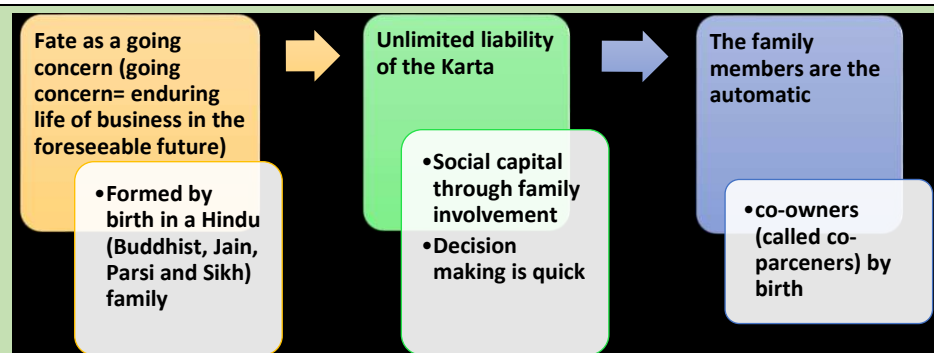


Business and Commercial Knowledge (BCK) is a vast and, an ever evolving and ever expanding universe of Knowledge Professionals Like Chartered Accounting whose primary arena of work comprise Business must hence their awareness off end engagement with the Philosophies, lexi con and grammar of BCK.

### DOMAINS OF BUSINESS AND COMMERCIAL KNOWLEDGE(BCK )

The term \_`domain' as `a' specified **sphere of knowledge**. The Sphere of knowledge about business and commerce is vast, eclectic And ever evolving and expanding

<b>HUMAN ACTIVITIES ECONOMIC AND NON-ECONOMIC</b>	<p>Usually <b>economic activities</b> are said to be driven by rationality – what do I get in return or what is in it for me – <b>or self – interest</b> <b>Non – economic</b> activities are driven by emotional or sentimental reason or selfless concern for the welfare of other.</p>
<b>Characteristic of Economic Activities</b>	
<b>Forms of Business organization</b>	<p><b><u>Points about business ownership.</u></b></p> <p><b>Business ownership is a bundle of rights</b></p> <p><b>Business may be owned singly or jointly</b></p> <p><b>Business may be organised as a proprietary or a corporate concern:</b></p>
<b><u>Sole proprietary</u></b>	<p>When an individual makes a choice to start a business of one's own to be one's own boss sole- proprietorship emerges the sole entrepreneur is not merely the composer and director of the enterprise orchestra but also a one – person band All the profits of the enterprise accrue to the sole proprietor and so do the risks of business</p>
<b><u>HUF</u></b>	<p>HUF is an entity <b>formed automatically by members of the common</b> ancestry including their wives and daughters. A HUF cannot be formed by a group of people who do not constitute a family <b>A HUF enjoy a separate entity status under the Income Tax Act.</b></p> <p><b><u>FEATURES OF HUF</u></b></p>



## Partnership

Partnership implies contractual co - ownership of business.

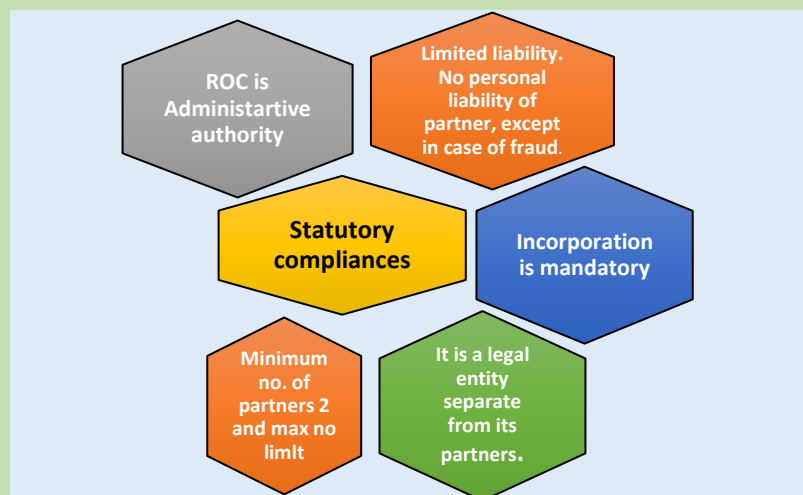
It is a relationship between two or more persons who agree to share the profits of a business.

### FEATURE OF PARTNERSHIP



## Limited Liability Partnership (LLP)

LLP form where **the liability of the partners** of business organization is the one **is limited**. However, there is much more to this form it has **to be mandatorily incorporated registered** under the limited liability partnership act, 2009

**FEATURE OF LIP****COMPANY**

The word company literally implies **an association of two or more** persons. However, as a legal arte fact, there can be even a One Person Company (**OPC**) Infect; the **OPC has been the most recently introduced of business organization in India vide the company Act, 2013.**



Question  
&  
Answer

**Question 1**

**Is a feature of partnership form of business?**

- |  |   |
|--|---|
| (a) Separate legal entity from the firm                                  | (b) Limited scope for raising finance         |
| (c) The liability of a partner is limited to His contribution to capital | (d) Registration of partnership is compulsory |

**Answer: b**

**Explanation:**

Following are the essential feature of a partnership form of business:

- + Can be started by minimum 2 person
- + Can have maximum 10/20 person
- + Scope for rising finance is limited

For more Info Visit - [www.KITest.in](http://www.KITest.in)

- + Formed for earning profit
- + Liability of all partner is unlimited.
- + Registration is voluntary
- + There exists a principal – agent relationship

Thus among the given options “limited scope for raising finance “is a feature of partnership form of business.

### **Question 2**

**Which Form of business is appropriate for retail business.**

- (a) Sole proprietorship
- (b) Partnership
- (c) Company
- (d) Both (a) and (b)

**Answer: d**

**Explanation:**

Business providing direct service like retail business should be set up as sole proprietor Business requiring pooling of skill and funds should be set up as partnership while manufacturing Concern of large size should be set up companies thus both sole proprietorship and partnership form of business are appropriate for retail business.

### **Question 3**

**Which one of the following does not have perpetual succession?**

- (a) Company
- (b) Statutory Corporation
- (c) Sole proprietorship
- (d) Co- operative Society

**Answer: c**

**Explanation:**

Perpetual Succession means that the death / insolvency of any member of a concern do not affect Its Continuity. Thus its legal entity is separate from its member All except sole proprietorship are formed like a corporate form of organization and thus don't have perpetual succession.

### **Question 4**

**In a Hindu Undivided Family, liability of\_\_is unlimited**

- (a) Karta
- (b) Co-partner
- (c) Both (a) and (b)
- (d) Neither (a) and (b)

**Answer: a**

**Explanation:**

In HUF, liability of all the co- partners is limited except Karta, thus, enabling more management Thus, the liability of karta is unlimited.

**Question 5**

**In relation to business organization structure which one of the following is easy to form and wind up?**

- (a) A company (b) A sole proprietorship  
(c) Statutory corporation (d) Public enterprises

**Answer: b**

**Explanation:**

One of the advantage of sole proprietorship form of business is that no legal formalities are required for its formation it can be started with a small amount of capital Similarly its Winding up also is completely dependent upon sole proprietor thus sole proprietorship form of business have easy formation and winding up.

**Question 6**

**Which is not a feature of LLP?**

- (a) Separate legal entity (b) All LLP have for fixed period  
(c) Partners in an LLP are required to Turn into an agreement (d) In LLP partners are not liable for the act of other partners.

**Answer: b**

**Explanation:**

**Following are the feature of a liability partnership:**

- + Body corporate
- + Separate legal Entity
- + Perpetual Succession
- + Easy formation.
- + Flexible operations
- + No minimum capital contribution
- + Easy dissolution
- + Low cost of formation.
- + No partner liable for other partner's act
- + No restriction on maximum number of partners.
- + Mutual rights and duties of partners are governed by an LLP agreement

Thus among the given option B i.e. "All LLP have existence for fixed period" is not a Feature of LLP.

**Question 7**

**Voting right that each member of co- operative society is:**

- (a) One member one vote (b) Right to vote in proportion of

- (c) Right to vote as mentioned in memoranda capital contributed  
(d) None of these

**Answer: a**

**Explanation:**

Co – operative Societies have a democratic management i.e. every member has equal voting right or one member have one vote thus having equal voice in the management.

### **Question 8**

**Gas Authority of India Limited is an example of:**

- (a) Limited liability partnership (b) Private limited company  
(c) Public enterprise (d) None of these

**Answer: c**

**Explanation:**

Public enterprise refers to business organization owned, managed and controlled by local Center or state Government whole or most of the investment is made by government itself Example: Gas Authority of India Limited, Hindustan Machine Tools etc.

### **Question 9**

**The choice of an appropriate form of business organization largely depends upon:**

1. Ease of formation
2. Continuity and stability
3. Liability aspects

**Correct option**

- (a) I and II (b) II and III  
(c) I and III (d) I, II and III.

**Answer: d**

**Explanation**

**Before selecting any form of business organization, one must consider the following factors:**

1. Easy formation
2. Liability of owner
3. Continuity and stability
4. Capital Adequacy
5. Flexible of operation



6. Relationship between ownership control & management Thus I, II and III i.e. Ease of
7. Formation, continuity and stability and liability aspects all are considered while making
8. Choice of an appropriate form of business organization

### **Question 10**

**Which form of business organization has a separate legal entity?**

- (a) Hindu Undivided Family (HUF)      (b) Co- operation society  
(c) Partnership firm                      (d) Sole proprietorship

**Answer: b**

**Explanation:**

**Co – operative society possess the following characteristics-**

- Voluntary Association
- Separate legal entity
- Democratic Management
- Service motive
- Utilization motive
- Cash Trading
- Fixed rate to return
- Government control
- Share Capital

Thus, co – operative society has a society has a separate legal entity

### **Question 11**

**Which of the following entity is created under an Act of the parliament or an Act of the state legislature?**

- (a) Statutory corporation                      (b) Government companies  
(c) Co- operative society                      (d) Limited Liability Partnership

**Answer: a**

**Explanation:**

Statutory Corporation refers to an autonomous corporate body created under an Act of Parliament or as Act of state legislature. It is set up by statute.

### **Question 12**



**Which of the following occupation requires rendering of service based upon specialized Knowledge and membership of an accreditation and assessment body?**

- (a) Employment
- (b) Profession
- (c) Business
- (d) Agriculture

**Answer: b**

**Explanation:**

Profession requires rendering of services based upon specified Knowledge and membership of an accreditation and assessment body.

**Question 13**

**Which of the following statement does not comprise business activity?**

- (a) Sale of old furniture by a household
- (b) A carpenter made furniture for its domestic use
- (c) Steel furniture industry
- (d) Domestic appliances industry

**Answer: b**

**Explanation:**

A carpenter made furniture for its domestic use is personal activity where all other are Comprise activity.

**Question 14**

**The object and power of a statutory corporation:**

- (a) May not change
- (b) May not be changed easily
- (c) May change easily
- (d) None applicable

**Answer: b**

**Explanation:**

The object and power of a statutory corporation may not change easily for this special Law passed by parliament has to be amended for changing the objects or power.

**Question 15**

**Who are referred as Coparceners?**

- (a) Only Male Members
- (b) Female Members
- (c) Both a & b
- (d) None

**Answer: a**

**Explanation:**

All the members of the Karta's family can be members of the HUF. The male members are called coparceners, while the females are referred to as just members.

**Question 16**

**To form a partnership, the minimum capital contribution should be:**

- (a) 1 Lakh
- (b) There is no minimum limit
- (c) 1 crore
- (d) 5 Lakh

**Answer: b**

**Explanation:**

In a partnership there no complicated legal formalities involved in the establishment of partnership business the partners entered into s partnership agreement can start their business there is no such any minimum capital contribution limit However in case of sole proprietorship the capital is limited to the saving of one owner or his borrowing capacity. Hence, option B is correct.

**Question 17**

**Which corporation has both characteristics i.e. of a partnership and of a separate Legal entity?**

- (a) Limited liability partnership (LLP)
- (b) Company
- (c) Partnership
- (d) Statutory body

**Answer: a**

**Explanation;**

A limited Liability partnership, popularly as LLP combines the advantages of both the company i.e. separate legal entity and partnership into a single of organization.

**Question 18**

**The liability of each member of the Hindu Undivided family business**

- (a) Limited to a sum as declared by him in General public
- (b) Unlimited
- (c) Limited to the extent of his share in the Business except Karta.
- (d) Limited to the extent of his share in the business including that of Karta

**Answer: c**

**Explanation:**

The liability of each member of the Hindu Undivided Family business is limited to the extent of his share in the business except Karta this makes the Karta to manage the business in the most efficient manner.

**Question 19**

**Kendriya bhandar is a:**

- (a) Co- operative Credit Society
- (b) Consumer Co – operative society
- (c) Producer co- operative society
- (d) Co-operative Marketing society

**Answer: a**

**Explanation:**

Kendriya Bhandar, ApnaBazar and Sahakari bhandar are example of consumer's Co- operative credit society.

**Question 20**

**Liability of others Co- parceners are:**

- (a) Limited up to the extent of share except Karta
- (b) Unlimited up to the extent of share except Karta
- (c) Unlimited
- (d) Limited

**Answer: a**

**Explanation:**

The liability of each member of the Hindu undivided family business is limited to the extent of his share in the business while Karta has unlimited.

**Question 21**

**Which of these is not a statutory corporation?**

- (a) RBI
- (b) SBI
- (c) LIC
- (d) Bank of Baroda

**Answer: d**

**Explanation:**

Statutory body is a body that is created under an Act of parliament or an Act of state Legislature Example: - RBI, SBI, LIC, Bank of Baroda is a private institution Hence, option (a) Is correct

**Question 22**

**Limited liability partnership is constituted under:**

- (a) Companies Act 2013
- (b) Limited liability partnership Act
- (c) Partnership Act 1932
- (d) None is applicable

**Answer: b**

**Explanation:**

Limited liability partnership Act, 2008 came into effect by way of notification dated 31<sup>st</sup> March 2009. Thus it is government by limited liability partnership Act 2008.

### **Question 23**

**Sole proprietary business suitable when market is:**

- |                  |              |
|------------------|--------------|
| (a) Non Existent | (b) National |
| (c) Local        | (d) Global   |

**Answer: c**

**Explanation:**

The sole proprietorship business is most suitable where the market for the product is small and local where the capital requirement is small and the risk involvement is too heavy. Thus (c) Option corrects.

### **Question 24**

**In case of cooperative Societies minimum number of member are:**

- |       |        |
|-------|--------|
| (a) 7 | (b) 2  |
| (c) 5 | (d) 10 |

**Answer: d**

**Explanation:**

In case of co-operative society, the minimum number of members required is 10 under the co-operative Society Act 1912 but the Act does not specify the minimum Number of member for any co – operative society.

### **Question 25**

**The size and structure of business depend on many factors which (are):**

- |  |                                       |
|--|---------------------------------------|
| (a) In the control of enterprise   | (b) Arbitrary and random              |
| (c) Range from internal to external factor which are beyond the control of enterprises | (d) Beyond the control of enterprises |

**Answer: a**

**Explanation:**

**The size and structure of business depend upon factor such as:**

- + District Ownership
- + Lawful Business
- + Separate status

- + Details in goods and Services
- + Risk involvement
- + They are all in the control of enterprises

**Question 26**

**The affairs of a company are overseen by**

- |                        |                     |
|------------------------|---------------------|
| (a) Shareholder        | (b) Employees       |
| (c) Board of Directors | (d) Dividend Holder |

**Answer: c**

**Explanation:**

A company is a Voluntary association of people carrying on business it is an artificial legal person whose management is separated from ownership. Ownership lies with shareholder who contributes share capital and management lies with the Board of directors who oversee the affairs of company.

**Question 27**

**In case of Hindu Undivided family, the individual share of each co-parceners:**

- |                                 |   |
|---------------------------------|---|
| (a) Depends upon his efficiency | (b) Keeps changing on the death or birth of co- parceners |
| (c) Is fixed                    | (d) Keep changing annually                                |

**Answer: c**

**Explanation:**

In Hindu Undivided family business, the share of each co- parcener is fixed but is liable to change due to death or birth of any member in the family.

**Question 28**

**Common seal of a company will have to a fixed on all the letters and documents of the company**

- |            |                  |
|------------|------------------|
| (a) True   | (b) False        |
| (c) Partly | (d) Partly false |

**Answer: b**

**Explanation:**

It is incorrect to say that common seal of a company will have to be affixed on all the letters and documents of the company resolution of board is required for Affixing common seal of the company on deed and contract. Common seal is Affixed only in presence of two directors and company

Secretary or such other Person as the board may appoint for the purpose in accordance with the articles of Association.

### **Question 29**

**The separate personality of a company is a statutory privilege and it must be used for legitimate business purpose only**

- |               |               |
|---------------|---------------|
| (a) Correct   | (b) Incorrect |
| (c) Can't say | (d) None      |

**Answer: a**

**Explanation:**

Correct: As separate personality of the company is a statutory privilege. It must be used for legitimate business purpose only where a fraudulent and dishonest use is made of the legal entity the individual concerned will not be allowed to take shelter behind the corporate personality the Court will break through the corporate shell and applies the principle of what is known as "lifting of or piercing through the corporate veil"

### **Question 30**

**Which of the following is not an economic objective of the firm?**

- |                                      |                                       |
|--------------------------------------|---------------------------------------|
| (a) Sales growth                     | (b) Improvement in market share       |
| (c) Profits and return on investment | (d) Conservation of natural resources |

**Answer: d**

**Explanation:-**

Growth in sales improvement in market share and profits and return on investment are Directly linked to the economic benefits of a business however conservation of natural Resource is not linked to any direct economic benefit therefore option d is not an economic Objective of the firm.

### **Question 31**

**Sustainable development / business implies**

- |                                     |                                 |
|-------------------------------------|---------------------------------|
| (a) Consistent economic performance | (b) Attention to social problem |
| (c) Harmony with nature             | (d) All of the above            |

**Answer: d**

**Explanation:**



Sustainable development is defined as “development that meets the needs of the present without compromising the ability of nature of future generations to meet their own needs in business world it implies all of above given content.

**Question 32**

**The occupation which people work for others and get remunerated in returns is known as:**

- (a) Business
- (b) Employment
- (c) Profession
- (d) None of these

**Answer: b**

**Explanation:**

Employment refers to the occupation in which people work for others and get remunerated in return those who are employment by others are known as employees.

**Question 33**

**A company being a body corporate can sue and be sued in its own name**

- (a) Correct
- (b) Incorrect
- (c) Partly incorrect
- (d) Partly correct

**Answer: a**

**Explanation:**

This statement is correct A company is an artificial person being a body corporate a company can sue and sued and be sued in its owned name. to sue means a company has right to start legal proceeding against or to be bring a suit in a court of law all legal proceeding against the company are to be instituted in its owned name A company has separate legal entity So he can sue one of its own members for liable.

**Question 34**

**Find the odd one**

**A partnership may be formed not to carry on:**

- (a) Any trade
- (b) Profession
- (c) Occupation
- (d) Social enterprises

**Answer: d**

**Explanation:**



As per Partnership Act 1932 definition of business includes every business every trade occupation and profession therefore social enterprises is odd one.

### **Question 35**

**The performance of business in the private sector is measured by:**

- (a) Profitability
- (b) Customer satisfaction
- (c) No. of employees
- (d) The salary of managing director

**Answer: b**

**Explanation:**

Customer satisfaction is the most commonly used non – financial measure of performance evaluation.

### **Question 36**

**Business & technology are**

- (a) Interrelated
- (b) Interdependent
- (c) Both
- (d) None

**Answer: c**

**Explanation:**

Both the technology and business are interrelated and interdependent on each other for its survival and growth both cannot exist without each other

### **Question 37**

**The Indian Companies Act provides for the registration of:**

- (a) Private limited and public company
- (b) One person company and small company
- (c) Defunct Company
- (d) All of the above

**Answer: d**

**Explanation:**

Companies Act 1956 was an Act of the parliament of India enacted in 1956 which enabled companies to be formed by registration sets out the responsibilities of companies their direction and secretaries and also provides for the procedures and secretaries and also provided for the procedures for its winding the act provides for the registration for all above companies.

### **Question 38**

**The property of a company is not the property of the individual members.**

- (a) True (b) False  
(c) Not sure (d) None

**Answer: a**

**Explanation:**

A company being a legal person and entirely distinct for its member is capable of owning enjoying and disposing of property in its owned name the company is the legal Person in which all its property is vested and by which it is controlled managed and disposes of.

### **Question 39**

**The privilege of doing business under the corporate form of organization is-\_\_**

- (a) Limited liability for business debt (b) Unlimited liability for business debt  
(c) No liability for business debt (d) None of the above

**Answer: a**

**Explanation:**

The privilege of limited liability for business debts is one of the principal advantage of doing business under the corporate form of organization the economy being a separate Person is the owner of its assets and bound by its liabilities

### **Question 40**

**The maximum number of members of a private company is limited to 50**

- (a) Correct (b) Incorrect  
(c) Partly true (d) None

**Answer: b**

**Explanation:**

The maximum number of members of a private company is limited to 200 so thus statement is Incorrect.

### **Question 41**

**A company being a legal entity must have a \_\_ of its own to establish its separate Identity**

- (a) Name (b) Address  
(c) Signature (d) None

**Answer: a**

**Explanation:**

Company being a legal entity must have a name of its own to establish its Separate identity. The name of the company is a symbol of its independent corporate existence

### **Question 42**

#### **Disadvantage of corporate form of enterprise**

- (a) Formalities and expenses: (b) Greater tax burden  
(c) Detailed winding up procedure: (d) All of the above

**Answer: d**

#### **Explanation:**

There are certain disadvantages of a corporate form of enterprises Some of these Disadvantage are:

- (a) **Formalities and expenses:** - Formation of a company is coupled with difficult and detailed Legal formalities and procedure involving considerable amount of time and money
- (b) **Greater tax burden:** - In few circumstances the tax burden on a company is more than that in comparison to other form of business organization
- (c) **Greater social responsibility:** - Having regard to the enormous power wielded by the companies and the impact they have on the society the companies are called upon to show greater social responsibility in their working.
- (d) **Detailed winding up procedure:** - The Companies Act 1956 provides elaborate and detailed for winding – up of companies which is more expensive and more time consuming

### **Question 43**

#### **A HUF is a body corporate.**

- (a) False (b) True  
(c) Partly true (d) Partly false

**Answer: a**

#### **Explanation:**

A HUF cannot be treated as a body corporate for the purpose of LLP Act,2008 therefore A HUF or its Karta cannot become partner or designated partner in LLP.

### **Question 44**

#### **Company law in India has been modeled on the ..... country law**

- (a) US  
(c) Both

- (b) British  
(d) None

**Answer: b**

**Explanation:**

Company law in India has been modeled on the English (British) law

**Question 45**

**HUF cannot comprise member of a:**

- (a) Hindu family  
(c) Jain family

- (b) Buddhist family  
(d) Muslim family

**Answer: d**

**Explanation:**

As the name suggests an HUF is a family of Hindus However even Buddhists, Jains and Shiks are regarded as Hindus and can therefore set up HUFs.

# **Past Examination Question**

**MAY - 2018**

**Question 1**

**CSR stand for:**

- (a) Cash security Ratio  
(c) Corporate Social responsibility
- (b) Cash security Ratio  
(d) Consumer Satisfaction

**Answer: c**

**Explanation:**

CRS stand for Corporate Responsibility

**Question 2**

**LLP has:**

- (a) Liability of partners is limited  
(c) It was incorporated under LLP Act 2009
- (b) In case of fraud, liability of partners becomes unlimited  
(d) All of the above

**Answer: d**

**Explanation:**

LLP is a hybrid model which contain feature of both company and partnership

firm it is A limited liability association where liability of partner's is limited In case of Fraud by LLP the liability of partners becomes unlimited LLP must be incorporated under LLP Act 2009 Hence all the above are its features.

### **Question 3**

**Which of the following is correct?**

- |   |   |
|---|---|
| (a) Max no. of members is 50 in case of Private limited company | (b) freely transferable shares in case of private limited company |
| (c) Max no. of members – 200 in case of Private limited company | (d) All of the above  |

**Answer: c**

**Explanation:**

In case of private limited Co – the maximum no. of member can be 200. Shares in a private Co are not freely transferable but subject to certain restriction.

### **Question 4**

**Who Comes under HUF -**

- |                    |              |
|--------------------|--------------|
| (a) Shareholders   | (b) Partners |
| (c) Family members | (d) None     |

**Answer: c**

**Explanation:**

It consists of the karta, who is typically the eldest person or head of the family, while other family members are coparceners.

## **NOV-2018**

### **Question 1**

**The logo of institute of chartered accounted of India (ICAI) is suggestive**

- |                  |               |
|------------------|---------------|
| (a) Integrity    | (b) Vigilance |
| (c) Professional | (d) None      |

**Answer: b**

**Explanation:**

The logo of the institute from Institute of Chartered Accountants of India (ICAI) is Suggestion of the vigilance expected from the CAs.

### **Question 2**

**When FERA is converted in to a FEMA:**

- |          |          |
|----------|----------|
| (a) 1934 | (b) 1928 |
|----------|----------|

(c) 1999

(d) 1997

**Answer: c****Explanation:**

Foreign Exchange Management Act (FEMA) on 29 December 1999 replaced the Foreign Exchange regulation Act (FERA), 1973.

**Question 3****Which is not merit of LLP?**

- (a) Designated partners have to do all Compliance  
(b) Separate legal entity  
(c) Both (a) & (b)  
(d) None of the above

**Answer: a****Explanation:**

Designate partners i.e. ensure the compliances however in comparison with the Companies the compliances are fewer and simpler is the limited of the LLP.

**Question 4****Income tax Act, HUF cannot earn which of:**

- (a) Profit  
(b) Salary  
(c) House property  
(d) House property

**Answer: b****Explanation:**

According to Income Tax Act HUF cannot earn salary of any kind.

**Question 5****HUF \_\_\_\_be formed by a group of people who do not constitute a family :-**

- (a) Cannot  
(b) Can  
(c) Should Property  
(d) May

**Answer: a****Explanation:**

HUF cannot be formed by a group of people who do not constitute a family it can Only be formed by a family.

**Question 6****No. of directors in a private company**

- (a) 2  
(b) 3  
(c) 5  
(d) 7

**Answer: a**

**Explanation:**

There are only 2 directors in every private company and as in every public company

**Question 7****Economic Activities are driven cause of?**

- |                     |                         |
|---------------------|-------------------------|
| (a) Self – Interest | (b) Self – less motive  |
| (c) Human welfare   | (d) Self – satisfaction |

**Answer: a****Explanation:**

Economic activities are said to be driven by rationality or self-interest and non – economic activities are driven out by human welfare therefore human welfare is not included in economic activities.

**Question 8****Economic activities do not include**

- |                    |                           |
|--------------------|---------------------------|
| (a) Profit earning | (b) Emotional sentimental |
| (c) Self interest  | (d) Livelihood motive     |

**Answer: b****Explanation:**

Economics activities Involves activities done for money worth therefore It will not include emotional sentiment as it is done out of love and affection.

**Question 9****The choice of an appropriate form of business organization depends upon**

- Ease of formation
  - Liability of aspect
  - Capital adequacy
- |             |                 |
|-------------|-----------------|
| (a) Only I  | (b) Only III    |
| (c) I & III | (d) I, II & III |

**Answer: d****Explanation:**

The choice of an appropriate form of business organization depends upon:

- Ease of formation
- Liability aspects
- Capital structure

Therefore, I, II, III all the characteristics are followed

**MAY - 2019**



**Question 10**

**Which of the following is not characteristic of an economic activity?**

- |  |   |
|--|---|
| (a) Economics activities are productive  | (b) Economic activities are Income generating |
| (c) Economics Activities are sentimental | (d) All of the above                          |

**Answer: c**

**Explanation:**

**The following are the characteristic of economic activity:**

- ❖ Wealth producing Activities
- ❖ Satisfying Human Wants:
- ❖ Money Income;
- ❖ Developmental Activities:
- ❖ Proper Allocation of resources:
- ❖ Optimum Use of Resources:

**Question 11**

**Features of Partnership are:**

- |                         |                     |
|-------------------------|---------------------|
| (a) Two or More Persons | (b) Lawful Business |
| (c) both a & b          | (d) None            |

**Answer: c**

**Explanation:**

Features of partnership form of organization are discussed as below:

- Two or More Persons
- Contract or Agreement
- Lawful Business
- Sharing of Profits and Losses
- Liability

**Question 12**

**The Logo of Institute of Chartered Accountant of India (ICAI) is**

- |                  |               |
|------------------|---------------|
| (a) Integrity    | (b) Vigilance |
| (c) Professional | (d) None      |

**Answer: b**

**Explanation:**

The logo of the Institute from the Institute of Chartered Accounts of India (ICAI) is Suggestive of the vigilance expected from the CAs.

**Question 13**

**Under the income tax Act, A HUF Cannot earn income from**

- |                    |                   |
|--------------------|-------------------|
| (a) House property | (b) Salary        |
| (c) Profit         | (d) Other Sources |

**Answer: b**

**Explanation:**

An HUF can earn income from all sources except salary it can invest the initial corpus as well as gifts received subsequently to start a business and earn profits or earn capital gains.

**Question 14**

**Which of the following is not a merit of LLP?**

- |                                    |  |
|------------------------------------|--|
| (a) LLP is a separate legal entity | (b) Designated partner should ensure control Over compliances. |
| (c) Both the a & b                 | (d) None of the above  |

**Answer: b**

**Explanation:**

Advantages of LLP :-

- Separate legal entity
- No owner/manager distinction:
- Flexible agreement:
- Limited liability
- Fewer compliance requirement
- Easy to wind up

**Question 15**

**Minimum number of director for private company:**

- |        |        |
|--------|--------|
| (a) 10 | (b) 15 |
| (c) 02 | (d) 03 |

**Answer: c**

**Explanation:**

Section 149 (1) of the companies Act 2013 provides that the minimum of 2 directors in case of private company and 3 in case of public Company should be present at all times for smooth functioning of the company.

**DEC - 2020**

**Question 16**

**Which of the following is not an economic activity**

- |  |                                      |
|--|--------------------------------------|
| (a) Land owner compensate the tiller of land in form of food grain | (b) Doctor consulting his own family |
| (c) Online teaching  | (d) Consumption of food items        |

**Answer: b**

**Explanation:**

Land owner compensate the tiller of land in form of food grain

**Question 17**

**Intellectual property rights and copyrights is an example of which of the following key factor of PESTLE Matrix?**

- |              |                   |
|--------------|-------------------|
| (a) Social   | (b) Technological |
| (c) Economic | (d) Political     |

**Answer: b**

**Explanation:**

Key factor of PESTLE Matrix is Technological Factor

**Question 18**

**According to Income tax Act, which of the following cannot be a source of income for HUF?**

- |   |                                |
|---|--------------------------------|
| (a) Income from salary                  | (b) Income from house property |
| (c) Income from business and profession | (d) Income from other sources  |

**Answer: a**

**Explanation:**

Income from salary cannot be a source of income for HUF

**Question 19**

**What is popular psychological motive in case of profession as an economic occupation?**

- |                          |                                     |
|--------------------------|-------------------------------------|
| (a) Service to clients   | (b) Economic achievement            |
| (c) Source of livelihood | (d) Membership of professional body |

**Answer: a**

**Explanation:**

Service to clients is popular psychological motive in case of profession as an economic occupation

**Question 20****Limited liability partnership is \_\_**

- (a) Non mutual agency                      (b) Hybrid form of business organization  
(c) Social & environment concern      (d) Public sector

**Answer: b****Explanation:**

LLP is hybrid form of business organization

**Question 21****\_\_\_\_\_ is a framework for macro environmental analysis.**

- (a) Societal                                      (b) Political  
(c) PESTLE                                      (d) Social

**Answer: c****Explanation:**

PESTLE stands for Political, Economic, Socio-Psychological, Legal, and environment.

**Question 22****Perpetual succession indicates \_\_**

- (a) Registration of partnership firm is Compulsory.      (b) Limited scope for rising fund  
(c) Separate legal entity, separate from its members      (d) Liability of the partners is limited to his contribution to capital.

**Answer: c****Explanation:**

Separate legal entity, separate from its members

**Question 23****Which of the following is the recently introduced form of business organization in INDIA wide companies Act 2013?**

- (a) LLP    (b) Sole proprietorship  
(c) OPC (one Person Company)      (d) Private limited company

**Answer: c****Explanation:**

OPC (one Person Company)- A new concept has been introduced in the Company's Act 2013, about the One Person Company (OPC). In a Private

Company, a minimum of 2 Directors and 2 Members are required whereas in a Public Company, a minimum of 3 Directors and a minimum of 7 members. A single person could not incorporate a Company previously

## **JAN - 2021**

### **Question 24**

**The occupation in which people work for others and get remunerated in return is known as:**

- |                |                |
|----------------|----------------|
| (a) Business   | (b) Employment |
| (c) Profession | (d) Industry   |

**Answer: b**

#### **Explanation:**

Employment most generally means the state of having a paid job—of being employed. To employ someone is to pay them to work.

### **Question 25**

**Which of the following statements characterizes the best non-economic activities?**

- |  |   |
|--|---|
| (a) Non-economic activities do not require any investment of resources | (b) These activities do not entail any operational costs  |
| (c) These activities are undertaken by Ascetics.                       | (d) The underlying purpose of these activities is not earning of a livelihood but social. Psychological or spiritual satisfaction |

**Answer: d**

#### **Explanation:**

Those activities which are initiated for personal content or to meet human sentiments are non-economic activities. The purpose is not to earn livelihood but to gain social, psychological, spiritual satisfaction.

### **Question 26**

**Maximum No. Of members in LLP is**

- |        |              |
|--------|--------------|
| (a) 10 | (b) 15       |
| (c) 20 | (d) No limit |

**Answer: d**

#### **Explanation:**

The minimum number of partners to incorporate an LLP is 2. There

is no upper limit on the maximum number of partners of LLP.

### **Question 27**

**HUF cannot comprise member of**

- |                     |                         |
|---------------------|-------------------------|
| (a) Jain            | (b) Hindu & Sikh Family |
| (c) Buddhist Family | (d) Muslim Family       |

**Answer: d**

**Explanation:**

An HUF is a family of Hindus. However, even Buddhists, Jains and Sikhs are regarded as Hindus, and can, therefore, set up HUFs.

### **Question 28**

**Maximum no. Of members of banking firms is**

- |        |        |
|--------|--------|
| (a) 10 | (b) 15 |
| (c) 20 | (d) 25 |

**Answer: a**

**Explanation:**

As per the Companies Act, 2013, the maximum number of members for a firm carrying banking business is 10.

### **Question 29**

**The liability of members of HUF business is**

- |  |   |
|--|---|
| (a) Unlimited  | (b) Limited to a sum as declared by him in general public           |
| (c) Limited to the extent of his share in the business including that of karta | (d) Limited to the extent of his share in the business except karta |

**Answer: d**

**Explanation:**

The liability of all the various co-parceners is only up to their share of the property or business. So they have limited liability. But the Karta being the head of the HUF has unlimited liability.

### **Question 30**

**Which is not a feature of LLP?**

- |  |   |
|--|---|
| (a) Separate legal entity                    | (b) Partners in an LLP are requires to enter into an agreement  |
| (c) All LLP have existence for fixed period. | (d) In an LLP, partners are not liable for the act of the other |

partner

**Answer: c****Explanation:**

The main features of LLP are:

- LLP is a body corporate and a legal entity separate from its partners.
- The LLP has a perpetual succession,
- Partners are not liable for act of other partner.
- An agreement, oral or written, should exist among the partners.

**JULY - 2021****Question 31****Which of the following is not a feature of private Company?**

- |   |  |
|---|--|
| (a) There are no restriction on transfer of share   | (b) Minimum number of directors are 2        |
| (c) Priivate companies are exempted from ci fituting various committees of Board of directors | (d) It can start business upon incorporation |

**Answer: a****Explanation:**

Transferability of shares- the transferability of shares in a private company is limited. Any private agreements between the shareholders are not binding either on the company or on the shareholders. Share transfer can only be restricted by the Articles of Association.

**Question 32****In BCK vocabulary, 'strategy' is originally belongs to which discipline?**

- |                       |               |
|-----------------------|---------------|
| (a) Animal Psychology | (b) Military  |
| (c) Biology           | (d) Economics |

**Answer: a****Explanation:**

'Strategy' is originally belongs to Economics

**Question 33****Human activities distinguishable by presence of livelihood motive is known as.**

- |                        |                           |
|------------------------|---------------------------|
| (a) Economic Activity  | (b) Non-Economic Activity |
| (c) Emotional Activity | (d) Sentimental Activity  |



**Answer: a**

**Explanation:**

**Economic activities**

Activities, which are performed with an objective to earn money, are known as economic activities. For example, a farmer grows crops to sell them, a factory or office employee works and gets wage or salary, a businessman earns profit through buying and selling of goods.

**Question 34**

**A company is created for a future project and has no significant accounting transaction is called**

- |                        |                        |
|------------------------|------------------------|
| (a) Shell company      | (b) Commercial company |
| (c) One person company | (d) Dormant company    |

**Answer: d**

**Explanation:**

A dormant company is an excellent opportunity to start a company for a future project or hold an asset/intellectual property without having significant accounting transactions. ...

**Question 35**

**Which of the following is not the feature of LLP?**

- |                                |                                      |
|--------------------------------|--------------------------------------|
| (a) Incorporation is mandatory | (b) Limited liability                |
| (c) Legal entity               | (d) Autonomy to being one's own boss |

**Answer: d**

**Explanation:**

- + Two or More Persons
- + Agreement
- + Lawful Business
- + Registration
- + Profit Sharing
- + Agency Relationship
- + Unlimited Liability

**Question 36**

**Which one of the following is an organic objective of business?**

- |                                |                            |
|--------------------------------|----------------------------|
| (a) Fitness of human resources | (b) Economic value added   |
| (c) Sanitation                 | (d) Water and Soil quality |

**Answer: a**

**Explanation:**

Objectives of Business – Organic Objectives: Prestige and Recognition, Growth and Survival. ... People enter into business and stay in business because they want to earn money, social power and prestige, joy of achievement and other goals. Generally, profit motive is considered to be the primary objective of business.

**Question 37**

**Under which act a HUF enjoys separate entity status?**

- |                     |                   |
|---------------------|-------------------|
| (a) Partnership act | (b) Companies act |
| (c) Income tax act  | (d) GST act       |

**Answer: c**

**Explanation:**

Hindu Undivided Family ('HUF') is treated as a 'person' under section 2(31) of the Income-tax Act, 1961 (herein after referred to as 'the Act'). HUF is a separate entity for the purpose of assessment under the Act.

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