



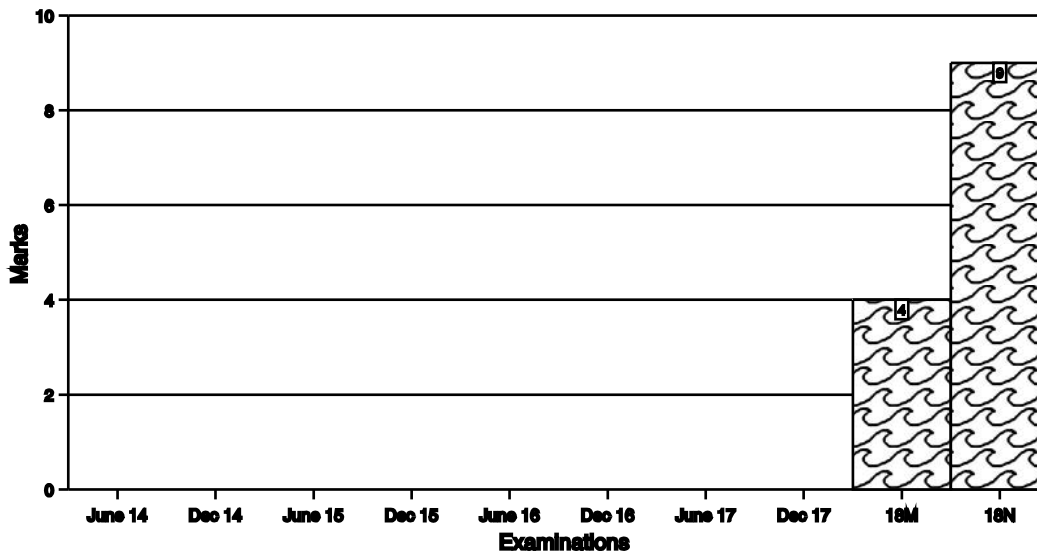
1

INTRODUCTION TO BUSINESS AND BCK

Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions

Legend

 Objective  Short Notes  Distinguish  Descriptive  Practical



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PAST YEAR QUESTIONS AND ANSWERS**2012 - DECEMBER**

[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) Following are the essential features of a partnership form of business:

- (i) Can be started by minimum 2 persons.
- (ii) Can have maximum 10/20 persons.
- (iii) Scope for raising finance is limited.
- (iv) Formed for earning profit.
- (v) Liability of all partners is unlimited.
- (vi) Registration is voluntary.
- (vii) There exist a principal-agent relationship.

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

[2] _____ form of business is/are appropriate for retail business.

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

Answer:

(d) Business providing direct services like retail business should be set up as sole proprietor; businesses requiring pooling of skills and funds should be set up as partnership, while manufacturing concerns of large size should be set up as companies.

Thus, both **sole proprietorship** and **partnership** form of business are appropriate for retail business.

[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) Perpetual succession means that the death / insolvency of any member of a concern does not affect its continuity.

Thus, its legal entity is separate from its members.

All except **sole proprietorship** are formed like a corporate form of organisation and thus, have perpetual succession.

[4] In a Hindu Undivided Family, liability of _____ is unlimited.

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

Answer:

(a) In HUF, liability of all the co-partners is limited except Karta, thus, enabling more efficient management.

Thus, the liability of **Karta** is unlimited.

[5] In relation to business organisation 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) One of the advantages 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 dependant upon sole proprietor.

Thus, **sole proprietorship** form of business have easy formation and winding up.

[6] Which is not a feature of LLP?

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

4.1150

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Answer:

(b) Following are the features of a limited liability partnership:

- (i) Body corporate.
- (ii) Separate Legal Entity.
- (iii) Perpetual Succession.
- (iv) Easy formation.
- (v) Flexible operations.
- (vi) No minimum capital contribution.
- (vii) Easy dissolution.
- (viii) Low cost of formation.
- (ix) No partner liable for other partner's act.
- (x) No restriction on maximum number of partners.
- (xi) Mutual rights and duties of partners are governed by an LLP agreement.

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

[7] Gas Authority of India Limited is an example of:

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

Answer:

(c) Public enterprises refers to business organisation owned, managed and controlled by local, central or State Government. Whole or most of the investment is made by government itself.

Example: Gas Authority of India Limited, Hindustan Machine Tools, etc.

2013 - JUNE

[8] Which one of the following is treated as a separate legal entity different from its members?

- (a) Sole proprietorship
- (b) Hindu undivided family
- (c) Partnership
- (d) Limited liability partnership.

Answer:

(d) Limited Liability Partnership has a separate legal entity, liable to the full extent of its assets. The liability of the partner would be limited to their agreed contribution in the LLP.

Thus, **Limited Liability Partnership** is treated as separate legal entity, different from its members. In all other cases the entity and its members are same persons.

2013 - DECEMBER

[9] The choice of an appropriate form of business organisation largely depends upon:

- I. Ease of formation
- II. Continuity and stability
- III. Liability aspects

Correct option is —

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

Answer:

(d) Before selecting any form of business organisation, one must consider the following factors:

- (i) Easy formation
- (ii) Liability of owner
- (iii) Continuity and stability
- (iv) Capital Adequacy
- (v) Flexibility of operations
- (vi) Relationship between ownership, control & management.

Thus I, II and III i.e. Ease of formation, continuity and stability and liability aspects, all are considered while making choice of an appropriate form of business organisation.

4.1152

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[10] Which form of business organisation has a separate legal entity?

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

Answer:

(b) Co-operative society possess the following characteristics–

- (i) Voluntary Association
- (ii) Separate legal entity
- (iii) Democratic management
- (iv) Service motive
- (v) Utilisation of surplus
- (vi) Cash Trading
- (vii) Fixed Rate of Return
- (viii) Government control
- (ix) Share Capital.

Thus, **co-operative society** has a separate legal entity.

2014 - JUNE

[11] What is the liability of each partner under LLP?

- (a) Limited
- (b) Unlimited
- (c) Partially Limited
- (d) None of the above

Answer:

(a) Under Limited Liability Partnership, as the name represents all the partners have a form of **limited** liability for each individual's protection within the partnership.

[12] Which of the following is not a form of organisation?

- (a) Partnership
- (b) Company
- (c) Partners
- (d) Sole Proprietorship

Answer:

(c) Partnership, Company, Sole proprietorship are forms of organisation while **partners** are the members of a partnership firm and not a form of business organisation.

[13] Who can be the head of Joint Hindu Family business?

- (a) Karta
- (b) Co-parcener
- (c) Manager
- (d) Director

Answer:

(a) According to the Hindu Law of Society, only Karta i.e. the eldest male member of the Hindu family can be the head of Joint Hindu Family Business. Hence **option (a)** is correct.

[14] Members of HUF are known as

- (a) Partners
- (b) Shareholders
- (c) Members
- (d) Co-parceners

Answer:

(d) HUF is a most peculiar form of business organisation in which the family possesses some inherited property. Its **members** are known as **Co-parceners**.

[15] Which amongst the following is a feature of LLP?

- (a) Separate legal entity
- (b) Unlimited liability
- (c) No perpetual succession
- (d) Not a body corporate

Answer:

(a) Following are the features of a LLP :

- (i) Body corporate
- (ii) Separate legal entity
- (iii) Perpetual succession
- (iv) Easy formation
- (v) Flexible operations
- (vi) No minimum capital contributions
- (vii) Easy dissolution
- (viii) Low cost of formation
- (ix) No partner liable for other partner's act
- (x) No restriction on maximum number of partners.
- (xi) Mutual rights and duties of partners are governed by an LLP agreement.

Thus, among the given options, **option (a) i.e. Separate legal entity** is a feature of LLP.

4.1154

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[16] Head of HUF is known as –

- (a) Karta
- (b) Co-parceners
- (c) Manager
- (d) Head

Answer:

(a) HUF is the most peculiar form of business organisation in which the family possesses some inherited property and the head of the family, known as **Karta**, who manages its affairs.

[17] In case of HUF what are liabilities of Co-parcener and Karta –

- (a) Both have unlimited liability.
- (b) Co-parcener's liability is limited while Karta's liability is unlimited.
- (c) Karta's liability is limited while Co-parcener's liability is unlimited.
- (d) Both have limited liability.

Answer:

(b) In HUF, liability of all the co-parceners is limited except Karta, thus enabling more efficient management.

Thus, **liability of Karta is unlimited and co-parceners is unlimited.**

2014 - DECEMBER

[18] 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) In a partnership, there are no complicated legal formalities involved in the establishment of partnership business. The partners entered into a 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 savings of one owner or his borrowing capacity. Hence, **option B** is correct.

[19] The Karta in Joint Hindu Family business has:

- (a) Unlimited liability
- (b) Joint liability
- (c) Limited liability
- (d) No liability for debts.

Answer:

- (a)** The liability of the co-parceners is limited, except for that of the Karta. This makes the Karta to manage the business in the most efficient manner. Thus, the Karta in Joint Hindu Family business has **unlimited liability**.

2015 - JUNE

[20] 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)** A Limited Liability Partnership, popularly known as LLP combines the advantages of both the company i.e. separate legal entity and partnership into a single form of organization.

2015 - DECEMBER

[21] What is Karta's liability in HUF?

- (a) Limited
- (b) Unlimited
- (c) Limited by guarantee
- (d) None of these

Answer:

- (b)** The liability of the co-parceners is limited, except for that of the Karta. This make the Karta to manage the business in the most efficient manner. Thus, the Karta in Joint Hindu family business has **unlimited liability**.

4.1156

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[22] Liability of other Co-parceners are:

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

Answer:

- (a) 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 liability.

2016 - JUNE

[23] The liability of each member of the Hindu Undivided Family business is:

- (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) 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.

2016 - DECEMBER

[24] The affairs of a company is overseen by:

- (a) Shareholders
- (b) Employees
- (c) Board of Directors
- (d) Dividend Holders.

Answer:

(c) A company is a voluntary association of people carrying on business. It is a Artificial Legal person whose management is separated from ownership. Ownership lies with shareholders who contribute share capital and management lies with the **Board of Directors** who oversee the affairs of company.

[25] In case of Hindu Undivided Family, the individual share of each co-parcener:

- (a) depends upon his efficiency
- (b) keeps changing on the death or birth of co-parcener
- (c) is fixed
- (d) keeps changing annually

Answer:

(c) In a 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.

[26] The size and structure of business depend on many factors which (are):

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

Answer:

(a) The Size and Structure of Business depend upon factor such as:

- (a) District Ownership
- (b) Lawful Business
- (c) Separate Status
- (d) Deals in Goods and Services
- (e) Risk involvement

They are all **in the control of enterprise.**

[27] Limited Liability Partnership is constituted under_____.

- (a) The Companies Act, 2013
- (b) Limited Liability Partnership Act, 2008
- (c) Partnership Act, 1932
- (d) None is applicable.

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Answer:

- (b) Limited Liability Partnership, the world wide recognized form of business organisation has been introduced in India by the way of **Limited Liability Partnership Act, 2008.**

2017 - JUNE

[28] Sole proprietary business is suitable when market is:

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

Answer:

- (c) 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 not too heavy. Thus, Option C is correct.

[29] Limited liability partnership is constituted under_____.

- (a) Companies Act, 2013 (b) Limited Liability Partnership Act, 2008
(c) Partnership Act, 1932 (d) None is applicable

Answer:

- (b) Limited Liability Partnership Act, 2008 came into effect by way of notification dated 31st March, 2009. Thus it is governed by **Limited Liability Partnership Act, 2008.**

2018 - MAY

[30] CSR stands for:

- (a) Cash Security Ratio
(b) Cash Supply Ratio
(c) Corporate Social Responsibility
(d) Consumer Satisfaction Ratio

(1 mark)

Answer:

(c) CSR stands for “**Corporate Social Responsibility**” i.e. accountability of the management towards the stakeholder.

[31] LLP has:

- (a) Liability of Partners is Limited
- (b) In case of fraud, liability of partners becomes unlimited
- (c) It was incorporated under LLP Act, 2009 (1 mark)
- (d) All of the above.

Answer:

(d) LLP is a hybrid model which contains features 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.

[32] 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) None of the above. (1 mark)

Answer:

(c) In case of Private Limited Co. the maximum no. of members can be 200. Shares in a private co. are not freely transferable but subject to certain restrictions.

[32] In HUF:

- (a) Liability of Karta is limited (b) No liability of Karta
- (c) Liability of Karta is unlimited (d) Liability of everyone is unlimited (1 mark)

Answer:

(c) In case of HUF, the liability of Karta is unlimited and that of co-parcener is limited.

4.1160

■ *Solved Scanner* CA Foundation Paper - 4B (New Syllabus)

2018 - NOVEMBER

- [33] The Logo of Institute of Chartered Accountants of India (ICAI) is suggestive of _____ .
- (a) Integrity
 - (b) Vigilance
 - (c) Professional
 - (d) None of these
- (1 mark)

Answer:

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

- [34] When FERA is converted into a FEMA:

- (a) 1934
- (b) 1928
- (c) 1999
- (d) 1997

(1 mark)

Answer:

(c) Foreign Exchange Management **Act (FEMA), 1999** that replaced the Foreign Exchange Regulation Act (FERA), 1973.

- [35] Which is not a merit of LLP?

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

(1 mark)

Answer:

(a) Designate Partner i.e. ensure the compliances however, in comparison with the companies, the compliances are fewer and simpler is **the limitation of the LLP**

[36] Income tax Act, HUF cannot card which type of

- (a) Profit
- (b) Salary
- (c) House Property
- (d) Other Sources.

(1 mark)

Answer:

(b) According to Income Tax Act, HUF cannot earn **salary** of any kind.

[37] HUF _____ be formed by a group of people who do not constitute a family.

- (a) cannot
- (b) can
- (c) should not
- (d) may

(1 mark)

Answer:

(a) HUF, **cannot** be formed by a group of people who do not constitute a family. It can only be formed by a family

[38] No. of directors in a private company.

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

(1 mark)

Answer:

(a) There are only **2 directors in every private company** and as in every public company.

[39] Economic, Activities are driven cause of _____ ?

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

(1 mark)

Answer:

(a) 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.

[40] Economic activities do not include

- (a) Profit earning
- (b) Emotional sentimental
- (c) Self interest
- (d) Livelihood motive (1 mark)

Answer:

(b) Economic activities involves activities done for money or money's worth therefore it will not include emotional sentiment as it is done out of love and affection.

[41] The choice of an appropriate form of business organisation depends upon:

- (i) Ease of formation
 - (ii) Liability of aspects
 - (iii) Capital adequacy
- (a) Only I
 - (b) Only III
 - (c) I & III
 - (d) I, II & III (1 mark)

Answer: (d)

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

1. Ease of formation
2. Liability aspects
3. Capital structure

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

PRACTICE QUESTIONS OF MCQ

[1] Which of the following is a form of business organisation?

- (a) Temple
- (b) Church
- (c) Partnership
- (d) Mosque.

Answer:

(c) Partnership

[2] Following is not a characteristic of business organisation:

- (a) Discontinuity of operations
- (b) Distinct ownership
- (c) Lawful business
- (d) Risk involvement.

Answer:

- (a) Discontinuity of operations

[3] _____ is a form of business that is owned, managed and controlled by an individual.

- (a) Partnership
- (b) Company
- (c) HUF
- (d) Sole Proprietorship.

Answer:

- (d) Sole Proprietorship

[4] Individual owning and running the business is known as:-

- (a) Single owner
- (b) Sole Trader
- (c) Single Trader
- (d) Businessman.

Answer:

- (b) Sole Trader

[5] Which is the oldest business form?

- (a) Partnership
- (b) HUF
- (c) Sole Proprietorship
- (d) Co-operative Society.

Answer:

- (c) Sole Proprietorship

[6] Which of the following would have unlimited liability?

- (a) Co-operative Society
- (b) Company
- (c) Sole Proprietorship
- (d) Shareholders.

Answer:

- (c) Sole Proprietorship

[7] Which of the following is an advantage of sole proprietorship?

- (a) Easy formation
- (b) Maintenance of business secrecy
- (c) Both (a) and (b)
- (d) None of the above.

Answer:

- (c) Both (a) and (b)

4.1164

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[8] Which of the following has most stable existence?

- (a) Sole proprietorship
- (b) Partnership
- (c) Company
- (d) HUF.

Answer:

(c) Company

[9] Which form of organisation is only found in India?

- (a) HUF
- (b) Co-Operative Society
- (c) Joint Stock Company
- (d) Governmental Undertaking.

Answer:

(a) HUF

[10] What is the maximum strength of HUF—

- (a) 10
- (b) 20
- (c) 100
- (d) No limit.

Answer:

(d) No limit

[11] The business affairs are managed by the head of the family, known as—

- (a) Co-parcener
- (b) Owner
- (c) Shareholder
- (d) Karta.

Answer:

(d) Karta

[12] Only coparcener can become a Karta, This statement is—

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

Answer:

(a) True

[13] Karta's liability is—

- (a) Limited
- (b) Unlimited
- (c) Limited by guarantee
- (d) None of the above.

Answer:

(b) Unlimited

- [14] What is the maximum number of partners in any partnership firm?
(a) 10 (b) 20
(c) 50 (d) No limit.

Answer:

(c) 50

- [15] Mutual agency is an important feature of—
(a) HUF (b) Joint Stock Company
(c) Partnership (d) Co-operative Society.

Answer:

(c) Partnership

- [16] Company have a perpetual succession and work under a common seal. This statement is—
(a) True (b) False
(c) Partly True (d) Partly False.

Answer:

(a) True

- [17] Company is managed by shareholders.
(a) True (b) False
(c) Sometimes (d) None of the above.

Answer:

(b) False

- [18] Statutory body is a body that is created under an Act enacted by
(a) Association of people (b) Association of ministers
(c) Both (a) and (b) (d) Judiciary.

Answer:

(b) Association of ministers

- [19] In which of the following, the ownership of venture is reflected by ownership of shares or stock?
(a) HUF (b) Partnership
(c) Corporations (d) Trusts.

Answer:

(c) Corporations

4.1166

■ *Solved Scanner* CA Foundation Paper - 4B (New Syllabus)

[20] LLP Act, 2008 came into effect on—

- (a) 31/4/2009
- (b) 31/3/2008
- (c) 31/3/2009
- (d) 31/4/2008.

Answer:

(c) 31/3/2009

[21] For having direct control over the business activities, which form is preferred—

- (a) Partnership
- (b) Sole proprietorship
- (c) HUF
- (d) Company.

Answer:

(b) Sole proprietorship

[22] Which is not a characteristic of sole proprietorship?

- (a) No sharing of profit and loss
- (b) One-man's capital
- (c) Less legal formalities
- (d) Association of persons.

Answer:

(d) Association of persons.

[23] What are the characteristics of HUF?

- (a) Governed by Hindu Law
- (b) Continuity
- (c) Fluctuating share of each member
- (d) All of these.

Answer:

(d) All of these

[24] Which is not an advantage of Joint Hindu Family business.

- (a) Limited resources
- (b) Continued existence
- (c) Freedom in managing
- (d) Assured share in profit.

Answer:

(a) Limited resources

- [25] The companies are governed by which Act?
(a) Indian Contract Act, 1872 (b) Partnership Act, 1932
(c) Indian Company Act, 2013 (d) None of these.
Answer:
(c) Indian Company Act, 2013
- [26] What are the advantages of company?
(a) Great stability (b) Limited liability
(c) Both (a) and (b) (d) None of these.
Answer:
(c) Both (a) and (b)
- [27] LLP, this forms of organisation has been introduced in India by way of?
(a) LLP Act, 2009 (b) LLP Act, 2008
(c) LLP Act, 1932 (d) None of these.
Answer:
(b) LLP Act, 2008
- [28] Direct motivation, maintenance of business secrets, close personal relations etc are the advantages of
(a) Partnership (b) Limited liability partnership
(c) HUF (d) Sole Proprietorship
Answer:
(d) Sole Proprietorship
- [29] The profit share of coparceners in a HUF
(a) Depends on the Capital Contributed
(b) Depends on the decision of Karta
(c) Is equal
(d) None of the above
Answer:
(c) Is equal
- [30] In case of death of a Co-parceners
(a) The wife of the deceased Co-parcener can demand partition
(b) Wife can become the co-parcener
(c) The wife can claim share of profit
(d) All of the above
Answer:
(c) The wife can claim share of profit

4.1168

■ *Solved Scanner* CA Foundation Paper - 4B (New Syllabus)

[31] Which of the following statement is true in respect of a HUF?

- (a) The liability of co-parceners is limited
- (b) The liability of Karta is unlimited
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

Answer:

(c) Both (a) and (b)

[32] Which of the following statements is true

- (a) The creditors can claim the entire debt from any of the partner
- (b) The partners can share profits in any ratio as agreed
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

Answer:

(c) Both (a) and (b)

[33] Registration of Partnership is not compulsory but beneficiary.

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

Answer:

(a) True

[34] In case of death of a partner

- (a) The partnership dissolves
- (b) The partnership firm dissolves
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

Answer:

(a) The partnership dissolves

[35] Greater Permanency, limited liability, ease of transfer of ownership are the advantages of

- (a) HUF
- (b) LLP
- (c) Sole Proprietorship
- (d) Company

Answer:

(d) Company

[36] Lack of secrecy, promotion of frauds, separation of ownership from management are the disadvantages

- (a) Partnership
- (b) LLP
- (c) Company
- (d) All of the above

Answer:

(c) Company

[37] The maximum number of partners in a LLP are

- (a) No limit
- (b) 50
- (c) 100
- (d) 20

Answer:

(a) No limit

