

COMPETENCY-BASED TEST
FEBRUARY (2023-24)
SUBJECT- BUSINESS STUDIES (CLASS-11)

MM- 10

TIME- 30 MTS

1. It is a document prepared and signed by the master of the ship acknowledging the receipt of goods on board. It contains terms and conditions on which the goods are to be taken to the port of destination:

- (a) Shipment advice
- (b) Letter of Credit
- (c) Indent
- (d) Bill of Lading

Answer: (d) Bill of Lading

(It is a document prepared and signed by the master of the ship acknowledging the receipt of goods on board. It contains terms and conditions on which the goods are to be taken to the port of destination).

2. Which one of the following modes of entry brings the firm closer to international markets?

- (a) Licensing
- (b) Franchising
- (c) Contract manufacturing
- (d) Joint venture

Answer: (d) Joint venture

(as in Joint Venture the business firms have the advantage of getting connected with international business firms by investing less capital and getting the benefits of international business. Also when two or more firms come together to create a new business entity that is legally separate and distinct from its parents, it is known as Joint venture)

3. When the domestic manufacturer gives the right to use intellectual property such as patent and trademark to a manufacturer in a foreign country for a fee:

- (a) Licensing
- (b) Contract manufacturing
- (c) Joint venture
- (d) None of these

Answer: (a) Licensing

(Permitting another party in a foreign country to produce and sell goods under your trademarks, patents or copy rights in lieu of some fee is another way of entering into international business. It is under the licensing system that Pepsi and Coca Cola are produced and sold all over the world by local bottlers in foreign countries)

4. _____ is the payment method most often used in International Trade which offers the exporter the best assurance of being paid for the products sold internationally.

- (a) Bill of lading
- (b) Letter of credit
- (c) Open account
- (d) Drafts

Answer: (b) Letter of Credit

(A letter of credit, or a credit letter, is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. If the buyer is unable to make a payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase)

5. When a company directly invests in properties such as plant and machinery in foreign countries, it is called as:

- (a) Direct investment
- (b) Portfolio investment
- (c) Disinvestment
- (d) None of the above

Answer: (a) Direct investment

(Foreign direct investments include long-term physical investments made by a company in a foreign country, such as opening plants or purchasing buildings. Direct investment takes place when a company directly invests in properties such as plant and machinery in foreign countries with a view to undertaking production and marketing of goods and services in those countries. Direct investment provides the investor a controlling interest in a foreign company, known as Direct Investment, i.e., FDI. It can be in form of joint venture or PPP)

6. Which document is not necessary for getting license:

- (a) IPC number
- (b) Credit letter
- (c) Registration cum membership certificate
- (d) Bank account number.

Answer: (b) Credit letter

(A letter of credit, or a credit letter, is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. If the buyer is unable to make a payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase)

7. When goods are loaded on the ship, then the captain of the ship issues a receipt which is called:

- (a) Shipping receipt
- (b) Mate's receipt
- (c) Loading receipt
- (d) Receipt of rent of bill.

Answer: (b) Mate's receipt

(The goods are then loaded on board the ship for which the mate or the captain of the ship issues mate's receipt to the port superintendent. A mate receipt is a receipt issued by the commanding officer of the ship when the cargo is loaded on board, and contains the information about the name of the vessel, berth, date of shipment, description of packages, marks and numbers, condition of the cargo at the time of receipt on board the ship, etc. The port superintendent, on receipt of port dues, hands over the mate's receipt to the C&F agent)

8. Assertion (A) : International trade is very essential and no country can survive without it.

Reason (R) : Resources are space bound and no country is self-sufficient in every kind of resource.

(a) (A) and (R) are true, and (R) is the correct explanation of (A).

(b) (A) and (R) are true, but (R) is not the correct explanation of (A).

(c) (A) is true, but (R) is false.

(d) (A) is true, but (R) is false.

Answer:

(a) (A) and (R) are true, and (R) is the correct explanation of (A).

(Trade is considered the economic barometer of the country because the resources are limited and no country can survive without international trade. Trading has helped largely in developing countries like India. The advancement of trade is an index of its economic prosperity. Goods and resources from one country are required by another country, and vice versa. These create conditions for international trade. Foreign trade in India has helped improve the productivity of manufacturing goods and has raised income levels, contributing to the economic growth of the country. Recently, the greater exchange of goods has benefited from the exchange of information and knowledge).

9. Which one of the following modes of entry permits the greatest degree of control over overseas operations?

(a) Licensing/franchising

(b) Wholly owned subsidiary

(c) Contract manufacturing

(d) Joint venture

Answer: (b) Wholly owned subsidiary

(A wholly owned subsidiary exercises all the decision-making powers and complete managerial control over the overseas operations of its parent company. A wholly owned subsidiary is created by a company by buying up the entire equity of a foreign firm).

10. Which of the following is not an advantage of exporting?

(a) Easier way to enter into international markets

(b) Comparatively lower risks

(c) Limited presence in foreign markets

(d) Less investment requirements

Answer: (c) Limited presence in foreign markets

(Exporting involves selling of goods to other countries. It has various advantages, such as lower risks, less requirement of investment and easier way of entering into international markets. However, the limited presence that it offers exporting firms in international markets is a disadvantage of exporting).