

MARKING SCHEME

MT 2 – BUSINESS STUDIES (054)

Q.N	ANSWERS	MARK
1	Discretionary responsibility	1
2	Social responsibility	1
3	Public company	1
4	Promoter	1
5	<p>Yes, I do agree with the statement. The business is making use of societal resources and engaging in business operations. So business is accountable towards different stakeholders including</p> <ul style="list-style-type: none"> • Responsibility towards shareholders or owners • Responsibility towards workers • Responsibility towards consumers • Responsibility towards government and community 	2
6	<p>MEMORANDUM OF ASSOCIATION</p> <p>Memorandum of Association is a principal document of a company and is considered as a Charter of Company it defines the powers, objectives, scope of operations of the company and its relationship with the stakeholders. It provides information to outsiders such as creditors, suppliers etc.</p> <p>Also known as Doctrine of Outdoor management.</p> <p>If a company act anything beyond what is provided in Memorandum of Association, then it is treated as ultra virus activity. The contents of Memorandum of Association include</p> <p>Name clause It contains the name of the company.</p> <p>2. Situation clause It contains the name of the state where registered office is situated.</p> <p>3. Object clause This clause states the reason or purpose for which the company is established and the activities undertaken by the company.</p> <p>4. Liability clause This clause gives the details of the nature of liability of its members, whether it is unlimited or to the extent of value of shares unpaid.</p> <p>5. Capital clause</p>	4

	<p>It contains the details of the authorized capital of the company. It states the par value of each shares and the maximum number of shares that a company can issue.</p> <p>6. Association clause It contains the declaration by the directors that they are prepared to be associated with the company as member. It should be signed by all the directors.</p> <p style="text-align: center;">OR</p> <p>ARTICLES OF ASSOCIATION</p> <p>Articles of association contains the rules and regulations regarding the management of company's internal affairs. It also states the duties, rights and powers of managers and directors.</p> <p>These are the Bye laws of the company or Doctrine of Indoor Management.</p> <p>Every company have to prepare their own articles of association. If they are not preparing the same, they can adopt the provisions of Table A as per Companies Act 2013</p> <p>The provisions of articles of association must be arranged in paragraphs, numbered and signed by the signatories of memorandum with one witness.</p>	
7	<p>STAGES IN THE FORMATION OF A COMPANY</p> <p>1.PROMOTION First stage in the formation of company Includes all the steps from conception of a business idea to its formation. The entire process of promotion is executed by a separate person called promoter. A promoter can be an individual or a group of persons or an institution and plays a key role in the formation of a company.</p> <p>2. INCORPORATION OF THE COMPANY The second stage in the formation of a company is incorporation. The promoter files an application with the Registrar of Companies under Companies Act 2013 and thus obtain certificate of incorporation.</p> <p>3. CAPITAL SUBSCRIPTION After getting the certificate of incorporation, the public company has to raise funds by issuing shares and debentures to the general public. For this, they have to issue a prospectus and meet certain formalities.</p> <p>4. COMMENCEMENT OF BUSINESS</p>	4

	<p>After issuing the shares and receiving minimum subscription, a public company applies to Registrar for issue of Certificate of Commencement of Business. The Registrar will examine all the documents and if it is satisfied, issue a Certificate of Commencement. After getting this certificate, a public company becomes a legal entity and can start the business activities.</p>	
8	<p>Social responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society.</p> <p>Social responsibility involves an element of voluntary action on the part of business people for the benefit of society.</p> <p>ARGUMENTS FOR SOCIAL RESPONSIBILITY OF BUSINESS</p> <ul style="list-style-type: none"> • Justification for existence and growth • Long term interest of the firm • Avoidance of government regulation • Maintenance of society • Availability of resources with business • Converting problems into opportunities • Better environment for doing business <p>ARGUMENTS AGAINST SOCIAL RESPONSIBILITY</p> <ul style="list-style-type: none"> • Violation of profit maximization objective • Burden on consumer • Lack of social skill • Lack of broad public support 	6
	THE END	