

FREE SAMPLE SET | IGNOU GUESS PAPER | DECEMBER 2026 TEE

ECO-01 Business Organisation

A 2-hour, 50-mark paper: the repeat themes of four IGNOU papers, three solved, and ready answers for the "differentiate" question

Course: ECO-01 Business Organisation, elective course in commerce (IGNOU files it as ECO-01, ECO-1 or ECO-001)

Programme: BDP (B.Com) and BCA, where ECO-01 is prescribed

December 2026 paper: Tuesday 29 December 2026, morning session (10 AM to 1 PM slot); the paper itself is 2 hours (IGNOU tentative date sheet dated 21 September 2026)

Built from: IGNOU ECO-01 papers of June 2018, June 2023, June 2024 and June 2025, read on IGNOU's servers on 29 September 2026

STUDY REFERENCE

WRITE IN YOUR OWN WORDS

NOT AN IGNOU PUBLICATION

How IGNOU sets the ECO-01 paper

- **Time and marks.** 2 hours for 50 marks. The June 2024 and June 2025 papers print "Weightage: 70%".
- **Choice.** Attempt any five questions of 10 marks each.
- **Split marks.** Questions are often split (2+8, 3+7, 5+5), so give a short definition for the 2 or 3 marks and the real content for the rest.
- **Two fixed formats.** Every recent paper has a "differentiate between any two" question and a "short notes on any two" question.
- **Answer length.** At 10 marks and roughly 20 minutes each, aim for about 300 words per answer.

Repeat map: what came back

Theme	Jun 2018	Jun 2023	Jun 2024	Jun 2025	Papers
Capital market: shares, underwriting, stock exchange, money market	2 items	Q3	Q2, note	Q4	4 of 4
Forms of organisation: sole trader, partnership, company, public corporation	2 items	Q1, Q2	Q6	Q1, Q6(d)	4 of 4
Foreign trade: importance, home and foreign trade, letter of credit, bonded warehouse	note	Q4, note	Q5(a), note	Q6(b), note	4 of 4
Channel of distribution and middlemen	note	none	Q7	Q5	3 of 4
Banking and insurance: types of accounts, kinds of insurance, risk	none	Q5, 2 notes	Q5(c), note	2 notes, Q6(a)	3 of 4
Business, commerce and aids to trade	note	Q1, note	Q1	none	3 of 4
Government and business: control, public enterprises, public utilities	2 items	Q6, Q7	none	Q7, note	3 of 4
Capital structure	none	none	Q4	Q3	2 of 4

Theme	Jun 2018	Jun 2023	Jun 2024	Jun 2025	Papers
Company formation: registration, promoter, statement in lieu of prospectus	none	none	Q3, Q5(b)	Q2(b)	2 of 4
Transport	none	none	note	Q6(c)	2 of 4

What the map says. Three themes came back in all four papers and are solved below. The capital market theme is solved together with capital structure, which appeared as a full 10-mark question in both of the last two papers.

Three repeat themes, solved

1. What is capital structure? Discuss the factors that determine it.

June 2024 Q4 (5+5) and June 2025 Q3.

Meaning. Capital structure is the mix of long-term sources of finance a company uses: equity shares, preference shares, debentures and long-term loans. It is often described as the proportion of owned funds to borrowed funds. A sound capital structure keeps the cost of capital low while protecting control and solvency.

Factors that determine capital structure.

1. *Cost of capital.* Debt is usually cheaper than equity, and interest is tax-deductible, so some debt lowers the overall cost.
2. *Trading on equity.* If the return on investment is higher than the interest rate, borrowing raises the return to equity shareholders.
3. *Risk and stability of earnings.* A firm with stable earnings can carry fixed interest; one with uncertain earnings should rely more on equity.
4. *Control.* Issuing more equity may dilute the owners' control; debt and preference shares do not carry normal voting rights.
5. *Flexibility.* The structure should allow funds to be raised or repaid as needs change.
6. *Cash flow and solvency.* The firm must be able to pay interest and repay loans on time.
7. *Nature and size of the business.* Public utilities with steady income can use more debt; new or risky firms need more equity.
8. *Legal requirements and market conditions.* Company law, regulators and the mood of the capital market all shape what can be raised.

Conclusion. No single mix suits every firm. The best capital structure balances cost, risk, control and flexibility for that business.

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2. Explain the functions of a stock exchange and distinguish the money market from the capital market.

June 2025 Q4 (5+5), with the stock exchange note of June 2024 and underwriting (June 2024 Q2).

Functions of a stock exchange.

1. *Liquidity and marketability.* Investors can buy and sell listed securities easily.
2. *Price determination.* Continuous trading sets fair prices through demand and supply.
3. *Safety of transactions.* Trading follows rules under the regulator, SEBI in India.
4. *Mobilising savings.* Channels savings into productive investment and capital formation.
5. *Economic barometer.* Share indices reflect the state of the economy and business confidence.

Money market and capital market.

Point	Money market	Capital market
Period of funds	Short term, up to one year	Long term, over one year
Instruments	Call money, treasury bills, commercial paper, certificates of deposit	Shares, debentures, bonds
Main participants	Banks, RBI, financial institutions	Companies, investors, stock exchanges
Regulator in India	Mainly the RBI	Mainly SEBI
Purpose	Working capital and liquidity	Fixed capital and expansion

Underwriting (useful for June 2024 Q2). Underwriters agree, for a commission, to buy the shares or debentures the public does not take up in an issue. This helps the company reach its minimum subscription and supports a successful listing.

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3. What is a sole trader organisation? Explain its merits and limitations.

June 2023 Q2 (2+8) and June 2025 Q1 (2+8). Keep the definition to two or three lines for the 2 marks.

Meaning. A sole trader organisation is a business owned, financed, managed and controlled by one person, who takes all the profit and bears all the risk with unlimited liability. Examples include small shops, local traders and service providers.

Merits.

1. *Easy formation and closure:* few legal formalities.
2. *Quick decisions:* the owner need not consult anyone.
3. *Direct motivation:* all profits go to the owner.
4. *Secrecy:* business matters stay private.
5. *Personal contact* with customers and employees.

6. *Flexibility*: changes can be made quickly.

Limitations.

1. *Limited capital*, from the owner's savings and borrowing.
2. *Unlimited liability*: personal property is at risk for business debts.
3. *Limited managerial ability*: one person cannot be expert in everything.
4. *Lack of continuity*: the business may end with the owner's death or illness.
5. *Limited scope for expansion*.

Conclusion. The sole trader form suits small businesses that need personal attention and little capital. Growth usually requires a move to partnership or company form.

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Ready answers for "Differentiate between any two" (5 marks each)

Pledge and hypothecation. In a pledge, possession of the goods passes to the lender until the loan is repaid (for example, gold pledged with a bank). In hypothecation, the borrower keeps possession and the lender has only a charge on the goods (for example, a vehicle loan or stock hypothecated to a bank).

Home trade and foreign trade. Home trade is buying and selling within one country, in one currency and with simple documents. Foreign trade crosses national borders and involves different currencies, customs formalities, more documents and greater risk.

Insurable and non-insurable risk. Insurable risks can be measured and are pure risks of loss, such as fire, theft or death. Non-insurable risks are speculative business risks that cannot be measured reliably, such as a change in demand, fashion or competition.

Government company and non-government company. A government company is one in which at least 51 percent of the paid-up share capital is held by the central or state governments (Companies Act, 2013). Other companies are privately owned and controlled.

Advertising and publicity. Advertising is paid, controlled promotion by an identified sponsor. Publicity is unpaid coverage in the media that the firm does not control.

Entrepreneur and promoter. An entrepreneur conceives and runs a business and bears its risk. A promoter takes the steps needed to form a company, and his role may end once the company is formed.

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Answer plans for the other repeat themes

Channel of distribution

- Meaning, with the zero, one, two and three-level channels.
- Factors that influence the choice: the product, the market, the middlemen, the company, and the environment.

Government control over private business

- Reasons: protecting consumers and workers, preventing monopoly, allocating resources, achieving social goals.
- Instruments: licensing, company law, price and quality control, taxation, and monetary controls.

Foreign trade as an engine of growth

- Specialisation, access to technology and capital goods, foreign exchange earnings, employment and economies of scale.
- Risks of dependence.

Types of bank accounts

- Savings, current, recurring and fixed deposit accounts, with the purpose of each.

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Short notes worth preparing (5 marks each)

Bonded warehouse. A warehouse licensed by customs where imported goods are stored without paying duty until they are removed. Duty is paid as the goods are released, and goods can be re-exported without paying duty.

Letter of credit. A bank's undertaking, on behalf of an importer, to pay the exporter when the specified documents are presented. It reduces the risk of non-payment in foreign trade.

Public utility undertaking. A business supplying essential services such as water, electricity, gas and transport. Its features are essential service, monopoly or near-monopoly, heavy investment, and regulated prices.

Kinds of insurance. Life insurance, and general insurance (fire, marine, health, motor and others). Insurance works on the principles of utmost good faith, insurable interest and indemnity.

Statement in lieu of prospectus. Under the older Companies Act, 1956, a public company that did not invite the public to subscribe filed this statement with the Registrar instead of a prospectus. Learn it as your study material explains it.

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Use this set in the last three weeks

- **Week 3:** write the three solved answers from memory, about 300 words each, 20 minutes each.
- **Week 2:** learn all six "differentiate" pairs; any two of them can make up a full question.
- **Final week:** turn the answer plans into full answers and learn the five notes.
- **Last two days:** time a full paper from ignou.ac.in, 2 hours for five questions.

What this free set is, and is not

This set covers the ECO-01 themes that repeated across the four papers above. The complete ECO-01 set, with every repeat theme solved in English or Hindi medium, costs ₹49 as a PDF or ₹100 as a printed copy, plus a one-time ₹100 courier charge per printed order. Order on WhatsApp +91 93546 37830.

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