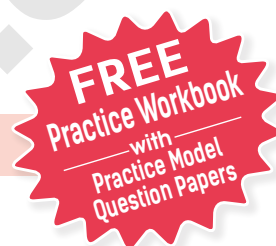




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11th Standard

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CONTENTS

UNIT I - Fundamentals of Business

1. Historical Background of Commerce in The Sub-Continent..... **1 – 6**
2. Objectives of Business **7 – 15**
3. Classification of Business Activities **16 – 21**

UNIT II - Forms of Business Organisation

4. Sole Proprietorship **22 – 27**
5. Hindu Undivided Family and Partnership **28 – 37**
6. Joint Stock Company **38 – 46**
7. Co-operative Organisation **47 – 53**
8. Multi National Corporations (MNCs) **54 – 58**
9. Government Organisation **59 – 64**

UNIT III - Service Business - I

10. Reserve Bank of India **65 – 71**
11. Types of Banks **72 – 76**
12. Functions of Commercial banks..... **77 – 85**
13. Warehousing **86 – 91**
14. Transportation..... **92 – 99**
15. Insurance..... **100 – 108**

UNIT IV - Service Business - II

16. Emerging Service Business in India **109 – 115**

UNIT V - Service Business - III

17. Social Responsibility of Business and Business Ethics..... **116 – 120**
18. Business Ethics and Corporate Governance **121 – 124**

UNIT VI - Business Finance

19. Sources of Business Finance.....	125 – 132
20. International Finance.....	133 – 137
21. Micro, Small and Medium Enterprises (MSMEs) and Self Help Groups (SHGs)	138 – 142

UNIT VII - Trade

22. Types of Trade.....	143 – 147
23. Channels of Distribution	148 – 154
24. Retailing	155 – 162

UNIT VIII - International Business

25. International Business.....	163 – 168
26. Export and Import Procedures.....	169 – 175
27. Facilitators of International Business	176 – 180
28. Balance of Trade and Balance of Payments.....	181 – 184

UNIT IX - The Indian Contract Act

29. Elements of Contract	185 – 190
30. Performance of Contract	191 – 195
31. Discharge and Breach of a Contract	196 – 200

UNIT X - Direct and Indirect Taxes

32. Direct Taxes.....	201 – 205
33. Indirect Taxation.....	206 – 210
Govt. Suppl. Exam September 2021 Question Paper with Answers	211 – 218



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UNIT I FUNDAMENTALS OF BUSINESS

CHAPTER

1

Historical Background of Commerce in the Sub-continent

CHAPTER SNAPSHOT

- 1.01 Introduction
- 1.02 Barter System
- 1.03 Hindrances of Commerce
- 1.04 Elimination of Hindrances of Commerce

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. In Pandiyas Dynasty the place where the goods are sold is _____. [QY-2019; HY-2019]

- (a) Angadi (b) Market
- (c) Nalangadi (d) Allangadi

[Ans. (a) Angadi]

2. Hindrance of place is removed by _____. [BEQ] [QY-2018; June-2019; Sep-2020]

- (a) Transport (b) Warehouse
- (c) Salesman (d) Insurance

[Ans. (a) Transport]

3. Who wrote "Arthasasthra"?

- (a) Kautilya (b) Kambar
- (c) Thiruvalluvar (d) Elangovadigal

[Ans. (a) Kautilya]

4. Trade and Commerce was common to _____ Dynasty. [BEQ] [First Mid-2018; QY-2018; Sep-2021]

- (a) Pallava (b) Chola
- (c) Pandiya (d) Chera

[Ans. (c) Pandiya]

5. _____ was first sultan who paved way in the dense forest and helped traders to move from one market place to others place for their commercial caravans.

- (a) Balban (b) Vascoda Gama
- (c) Akbar (d) Alauddin Khilij

[Ans. (a) Balban]

II. VERY SHORT ANSWER QUESTIONS.

1. What is meant by Barter System?

[HY-2018, 2019; June-2019; Mar-2020]

Ans. (i) In olden days goods were exchanged for goods. It is called barter system.

(ii) Before invention of money goods were exchanged for goods.

2. What is meant by Nallangadi?

[BEQ] [First Mid-2018; QY-2018, 2019; Mar-2019; Sep-2020]

Ans. (i) In Pandiyas period, the place where the goods were sold was called “**Angadi**”.

(ii) The day market was called as “**Nallangadi**”.

3. What is meant by Allangadi?

Ans. (i) In Pandiyas period, the place where the goods were sold was called “**Angadi**”.

(ii) The **Night market** was called as **Allangadi**.

III. SHORT ANSWER QUESTIONS.

1. Explain the meaning of the term “Vanigam”.

Ans. (i) The word "Vaniyam" or "Vanipam" would have had a **Dravidian origin**.

(ii) The early Tamils produced their products and goods in their lands and bartered their surplus and that is how trade came into existence.

(iii) The word “Vanigam” has been widely used in sangam literature like **Purananuru** and **Thirukkural**.

(iv) The Tamil Brahmi inscriptions from Alagarmalai, Pugalur, Mangulam and Sri Lanka illustrate the fact that trade in gold, oil, plough, cloth, etc. was conducted during the early age.

2. State the meaning of Maruvurappakkam and Pattinappakkam.

[BEQ]

Ans. (i) Big cities like Poompuhar had two towns called '**Maruvurappakkam**' (inland town) and **Pattinappakkam** (Coastal town).

(ii) These towns had market and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff.

(iii) Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with related activities of imports and Exports.

(iv) In such a brisk trade, people of the coastal region engaged themselves in coastal trade and developed their inter-continental trade contracts.

3. What are the ports developed by Pandiya Kingdom?

[BEQ] [HY-2018; Sep-2021]

Ans. (i) Trade and Commerce was common to Pandiya Dynasty. Information collected from the diaries of foreign travellers, voyagers, mariners and adventures of the ancient world highlighted the prosperity of trade in the Pandiya country.

(ii) Trade in copper, cloth, salt, flower, sandal wood, fish, paddy, cereals, pearls, etc. flourished during their period.

(iii) Besides pandiyas expanded infrastructure for shipping such as ports, light house, warehouse, etc. to promote overseas trade.

(iv) Similarly pandiyas developed various ports like Korkai, Saliyur, Kayal, Marungur Pattinam and Kumari are important ports among them for foreign trade.

IV. LONG ANSWER QUESTIONS.

1. What are the hindrances of commerce? (any 5)

[BEQ] [First Mid-2018; QY-2018, 2019; HY-2018; Govt. MQP-2019; Mar-2019; Sep-2021]

Ans. The various hindrances removed by business are as follows.

(i) Hindrance of Person :

(1) Manufacturers do not know the place and face of the consumers.

(2) It is the retailer who knows the taste, preference and location of the consumers.

(ii) Hindrance of place :

(1) Production takes place in one centre and consumers are spread throughout the country and world.

(2) Rail, air, sea and land transports bring the products to the place of consumer.

(iii) Hindrance of time :

(1) Consumers want products whenever they have money, time and willingness to buy.

(2) Goods are produced in anticipation of such demands.

(iv) Hindrance of risk of loss :

(1) Fire, theft, floods and accidents may bring huge loss to the business.

(2) Insurance companies serve to cover the risk of such losses.

(v) Hindrance of knowledge :

Advertising and communication help in announcing the arrival of new products and their uses to the people.

2. State the constraints in barter system.

[First Mid-2018; Sep-2020]

Ans. Barter system imposes certain constraints in the smooth flow of trade as explained below.

(i) Lack of double coincidence of wants :

- (1) Unless two persons who have surplus have the demand for the goods possessed by each other, barter could not materialize.
- (2) For instance 'A' is having a surplus of groundnut and 'B' is possessing rice in surplus.
- (3) If this "coincidence of wants" does not exist, Barter cannot take place.

(ii) Non-existence of common measure of value:

- (1) Barter system could not determine the value of commodities to be exchanged as they lacked commonly acceptable measures to evaluate each and every commodity.
- (2) It was difficult to compare the values of all articles in the absence of an acceptable medium of exchange.

(iii) Lack of direct contact between producer and consumers

- (1) It was not possible for buyers and sellers to meet face to face in many contexts for exchanging the commodities for commodities.
- (2) This hindered the process of barter in all practical sense.

(iv) Lack of surplus stock :

Absence of surplus stock was one of the impediments in barter system. If the buyers and sellers do not have surplus then no barter was possible.

3. Briefly explain the Coastal trade in ancient Tamil Nadu. [BEQ]

- Ans.**
- (i) The Southern Coromandel coast mostly within the territory of Tamil Nadu state is thick with history.
 - (ii) The **seaside town** which was once the second capital of the **Chola Dynasty** and a major centre of international trade with both eastern and western people.
 - (iii) Big cities like Poompuhar had the 'Maruvurappakam' (inland town) and 'Pattinapakkam' (coastal Town), had market and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff.
 - (iv) Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with activities related to imports and exports.
 - (v) In such a brisk trade, people of the coastal region, engaged themselves in coastal trade and developed their intercontinental trade contacts.
 - (vi) They were engaged in different kinds of fishing pearls, and conches and produced salts and built ships. Boats like 'Padagu', 'Thimil', 'Thoni', 'Ambu' 'Odampunai' etc... were used to cross rivers for domestic trade while Kalam, Marakalam, Vangam, Navai etc. were used for crossing oceans for foreign trade.

GOVERNMENT EXAM QUESTIONS & ANSWERS

I. SHORT ANSWER QUESTIONS 3 MARKS

1. What is hindrance of finance? [QY-2019]

- Ans.**
- (i) Producers and traders may not have the **required funds** at the time of their need.
 - (ii) The problem of finance affects the producer, trader and the consumer. This Hindrance is known as Hindrance of Finance.

2. What are the conditions to be satisfied for the working of barter system? [BEQ] [HY-2019]

Ans. Goods were exchanged for goods prior to invention of money. Barter system worked on certain conditions mentioned below.

1. Each party to barter must have surplus stocks for the trade to take place.

2. Both the buyers and sellers should require the goods each other desperately i.e., double coincidence of wants

3. Buyer and seller should meet personally to effect the exchange.

3. What is the role of Sangam in trade development of ancient Tamilnadu? [First Mid-2018; QY-2018]

- Ans.**
- (i) Trade in Sangam period was both internal and external but it was conducted by means of barter.
 - (ii) Trade was one of the major means of **linking various regions** in the midieval period.

- (iii) Sangam work refers to great traders, their Caravans, their security force, markets, marts and guilds of such great traders.
- (iv) The important articles which then hilly tribes offered to their neighbours in exchange were honey and roots and fruits while pastoral people offered cattle, milk and milk products.
- (v) Cattle served as money for sometimes during the same period.
- (vii) Paddy too served as a medium of exchange for a certain period.

II. LONG ANSWER QUESTIONS 5 MARKS

1. Business consists of many hindrances, while facilitating the production and distribution of goods. [BEQ] [Govt. MQP-2018]

- (I) List any five such hindrances.
- (II) Explain any three.
- (III) How are they overcome?

Ans. (I) (i) Hindrance of Person
(ii) Hindrance of place
(iii) Hindrance of time
(iv) Hindrance of knowledge
(v) Hindrance of risk of loss

(II) (i) Hindrance of Person :

- (1) Manufacturers do not know the place and face of the consumers.
- (2) It is the retailer who knows the taste, preference and location of the consumers.

(ii) Hindrance of place :

- (1) Production takes place in one centre and consumers are spread throughout the country and world.
- (2) Rail, air, sea and land transports bring the products to the place of consumer.

(iii) Hindrance of time :

- (1) Consumers want products whenever they have money, time and willingness to buy.
- (2) Goods are produced in anticipation of such demands.

- (III) (i) Trade removes the hindrance of person.
- (ii) Transport removes place hindrance.
- (iii) Warehousing removes the hindrance of time.
- (iv) Advertisement and salesmanship removes hindrance of knowledge.
- (v) Insurance removes hindrance of risk.

ADDITIONAL QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) CHOOSE THE CORRECT OPTION.

1. Barter system refers to

- (a) Exchange of goods against cash
- (b) Exchange of cash against cash
- (c) Exchange of goods against goods
- (d) Exchange of service against cash

[Ans. (c) Exchange of goods against goods]

2. Warehouse removes the hindrance of [BEQ]

- (a) personal (b) time
- (c) place (d) risk [Ans. (b) time]

3. Day market was called as

- (a) Allangadi (b) Nalangadi
- (c) Market (d) None of these

[Ans. (b) Nalangadi]

4. Foreigners who transacted business were known as [BEQ]

- (a) Jonagar (b) Arabs
- (c) Europe (d) Yavanars [Ans. (d) Yavanars]

5. Arabs who traded with Tamil were called

- (a) Yavanars (b) Jonagar
- (c) Both (d) None of these

[Ans. (b) Jonagar]

(ii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.

1.	List I		List II
(i)	Hindrance of person	(1)	ware housing
(ii)	Hindrance of place	(2)	Damage by fire
(iii)	Hindrance of time	(3)	Transports
(iv)	Hindrance of risk of loss	(4)	Retailers

CHAPTER

2

OBJECTIVES OF BUSINESS

CHAPTER SNAPSHOT

- 2.01 Introduction
- 2.02 Types of Economic Activities
- 2.03 Characteristics of Business
- 2.04 Objectives of Business

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. The Primary objective of a business is

[BEQ] [QY-2018; HY-2018, 2019; Sep-2021]

- (a) Making Profit
- (b) Not making Profit
- (c) Special Skill
- (d) None of the above

[Ans. (a) Making Profit]

2. Occupation of a Doctor is

[BEQ] [QY-2018, 2019; Govt. MQP-2019]

- (a) Employment
- (b) Business
- (c) Profession
- (d) Sole Proprietor

[Ans. (c) Profession]

3. The following does not characterise business activity?

[BEQ] [Govt. MQP-2018; Sep-2020]

- (a) Production of goods and services
- (b) Presence of risk
- (c) Sale or exchange of goods and services
- (d) Salary or wages

[Ans. (d) Salary or wages]

4. Activities undertaken out of love and affection or with social service motive are termed as :

[BEQ] [First Mid-2018; QY-2019; Mar-2020]

- (a) Economic activities
- (b) Monetary activities
- (c) Non-Economic activities
- (d) Financial Activities

[Ans. (c) Non-Economic activities]

II. VERY SHORT ANSWER QUESTIONS.

1. What is meant by Economic Activities?

Ans. Activities undertaken with the object of earning money are called economic activities.

2. What do you mean by Business?

[BEQ]

Ans. Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services.

3. What do you mean by Employment?

Ans. (i) Employment refers to the occupation in which people work for others and get remuneration in the form of wages or salaries.

(ii) The one who is employed by others are called employees, and the one who employs others is called employer.

(iii) For Example : Managers, Clerks, Bank officials, Factory workers, etc.

III. SHORT ANSWER QUESTIONS.

1. What do you mean by human activities? Explain.

Ans. Human activities :

- (i) Human activity is an activity performed by a human being to meet his/her needs and wants or may be for personal satisfaction.
- (ii) Human activities can be categorised into economic and non-economic activities.

(1) Economic Activities :

- (a) Activities undertaken with the object of earning money are called economic activities.
- (b) **Examples :**
 - Production of goods by manufacturers
 - Distribution of goods by wholesalers

(2) Non-Economic Activities :

- (a) Activities undertaken to satisfy social and psychological needs are called non-economic activities.
- (b) **Examples :**
 - Cooking food for family
 - Celebrating festivals

2. Write Short notes on :

(a) Business (b) Profession

[BEQ] [Govt. MQP-2019; June-2019; Sep-2020]

Ans. (a) Business :

- (i) Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services.
- (ii) Business activities are connected with raising, producing or processing of goods.

(b) Profession :

- (i) Professions are those occupations which involve rendering of personal services of a special and expert nature.
- (ii) A profession is something which is more than a job. It is a career for someone who is competent in their respective areas.
- (iii) Those engaged in a profession are called professionals and they earn income by charging professional fee. **E.g.** Lawyer, Engineer, Doctor, etc.

3. Explain the classification of 'Business'.

Ans. Business activities are classified on the basis of size, ownership and function.

(i) Activities on the Basis of Size

On the basis of size, business activities may be broadly grouped into two categories.

- (a) Small Scale
- (b) Large Scale

(ii) Activities on the Basis of ownership

On the basis of ownership business activities may be broadly grouped into three categories.

- (a) Private Enterprises
- (b) Public Enterprises
- (c) Joint Enterprises

(iii) Activities on the Basis of Function

On the basis of functions, business activities may be broadly grouped into two categories.

- (a) Industry
- (b) Commerce

IV. LONG ANSWER QUESTIONS.

1. Explain the characteristics of Business. (any 5)

[BEQ]

Ans. The essential characteristics of business are as follows :

(i) Production or Procurement of Goods :

Goods must be produced or procured in order to satisfy human wants.

(ii) Sale, Transfer or Exchange :

There must be sale or exchange of goods or services. When a person weaves cloth for his personal consumption, it is not business because there is no transfer or sale.

(iii) Dealing in Goods and Services :

- (1) Goods produced or procured may be consumer goods like cloth, pen, brush, bag etc., or producer-goods like plant and machinery.
- (2) Services refer to activities like supply of electricity, gas or water, transportation, banking, insurance etc.

(iv) Regularity of Dealings :

- (1) An isolated dealing in buying and selling does not constitute business. The transactions must be regular.
- (2) The buying and selling must be recurrent to constitute business.

CHAPTER 3

CLASSIFICATION OF BUSINESS ACTIVITIES

CHAPTER SNAPSHOT

- 3.01 Industry
- 3.02 Commerce
- 3.03 Trade

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. The industries engaged in extraction of iron ore are known as
 - (a) Construction Industries
 - (b) Manufacturing Industries
 - (c) Extraction Industries
 - (d) Genetic Industries

[Ans. (c) Extraction Industries]
2. Production which involves several stages for manufacturing finished product is known as [HY-2018]
 - (a) Analytical Industry (b) Synthetic Industry
 - (c) Processing Industry (d) None of the above

[Ans. (c) Processing Industry]
3. Normally high level risk involved in [BEQ]/[Sep-2020]/[Govt. MQP-2018; First Mid-2018; QY-2018; 2019; HY-2019]
 - (a) Industry (b) Commerce
 - (c) Trade (d) All of the above

[Ans. (a) Industry]

II. VERY SHORT ANSWER QUESTIONS.

1. Define Commerce. [BEQ] [HY-2018; Govt. MQP-2019; QY-2019]
Ans. According to **Evelyn Thomas** "Commercial operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products".
2. What do mean by industry? [First Mid-2018]
Ans. (i) Industry refers to economic activities, which are connected with the conversion of resources into useful goods.
(ii) The production side of business activity is referred as industry.
3. What is trade? [BEQ]
Ans. (i) Trade is an essential part of commerce. The term 'Trade' is used to denote buying and selling.
(ii) It helps in making the goods produced available to ultimate consumers or users.
(iii) Therefore, one who buys and sells is a trader. A trader is a middlemen between the producer and the consumer.

III. SHORT ANSWER QUESTIONS.

1. What do you mean by tertiary industries?

- Ans. (i)** They do not produce any goods. [QY-2019]
- (ii)** These industries produce utility services and sell them at a profit.
- (iii)** They help trade, industry and commerce.
- (iv)** This term also includes auxiliaries to trade like, banking, insurance, warehouse, advertisement etc.

2. Write a short note on Transportation.

- Ans. (i)** Selling all the goods produced at or near the production place is not possible.
- (ii)** Hence, goods are to be sent to different places where they are demanded.
- (iii)** The medium which moves men and materials from one place to another place is called transport.

IV. LONG ANSWER QUESTIONS.

1. Compare industry, commerce and trade. (any 5)

[First Mid-2018; QY-2018, 2019; HY-2018, 2019; Govt. MQP-2019]

Ans. Comparison between Industry, commerce and Trade

Basis	Industry	Commerce	Trade
(1) Meaning	The activities which deals with extraction, reproduction, conversion, processing and construction of useful products.	The activities involving distribution of goods and services.	It is related to Purchase and sale of goods and services.
(2) Scope	It consists of all activities involving conversion of materials and semi-finished products in to finished goods.	It comprises trade auxiliaries to trade.	It comprises exchange of goods and services.
(3) Capital	Generally large amount of capital is required.	Need for capital is comparatively less.	Small capital is needed to maintain stock and to grant credit.
(4) Risk	Risk involved is usually high.	Relatively less risk is involved.	Relatively less risk is involved.
(5) Side	It represents supply side of goods and services.	It represents demand side of goods and services.	It represents both supply and demand.
(6) Utility Creation	It creates form utility by changing the form or shape of materials.	It creates place utility by moving goods from producers to consumers.	It creates possession utility through exchange.

2. Write short notes on :

- Analytical Industry
- Genetic Industry
- Construction Industry

Ans. (a) Analytical Industry :

- Analytical Industries refers to those manufacturing industries which produce many types of products by analysing and separating different elements from the same materials, as in the case of oil refinery industries,
- In oil refining industry the same crude oil is analysed or separated in to different products like petrol, diesel, kerosene, lubricating oil, etc.

(b) Genetic Industry :

- These Industries remain engaged in breeding plants and animals for their use in further production.
- The seeds nursery companies, poultry, dairy, piggery, hatcheries, nursery, fisheries, apiary, etc. are classic examples of genetic industries.

(c) Construction Industry :

- These Industries are involved in the construction of Buildings, Dams, Bridges, Roads, as well as tunnels and canals.
- It uses the products of manufacturing industries especially cement, iron and steel.

GOVERNMENT EXAM QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) CHOOSE THE CORRECT OPTION.

1. Auxiliaries to trade is also called as [BEQ] [QY-2018]

- (a) Trade
- (b) Advertisement
- (c) Warehousing
- (d) Aids to Trade

[Ans. (d) Aids to Trade]

(ii) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:

1. [BEQ] [Govt. MQP-2018]

- (a) Extractive industries extract products from natural resources
- (b) Genetic industries engaged in breeding plants and animals for their use in further reproduction
- (c) Manufacturing industries are engaged in producing goods through processing of raw material
- (d) Construction industries are involved in the successive stages for manufacturing sugar and paper, etc.

[Ans. (d) Construction industries are involved in the successive stages for manufacturing sugar and paper, etc.]

II. VERY SHORT ANSWER QUESTIONS

2 MARKS

1. Kumar owns a cattle breeding farm in Namakkal.

- (i) Is this an example of extractive industry?
- (ii) Give the meaning of such industry.

[BEQ] [Govt. MQP-2018]

Ans. (i) No. Cattle breeding is an example for genetic industries.

- (ii) Genetic industries remain engaged in breeding plants and animals for their use in further reproduction.

2. Siva is a fisherman in Rameshwaram and owns five fishing vessels. Identify the form of industry in which he operates. Give the meaning of it.

[BEQ] [Govt. MQP-2018]

Ans. The form of industry is Extractive Industries.

Meanings :

Industries, which are engaged in the supply of commodities extracted from the earth, are called extractive industries

III. SHORT ANSWER QUESTIONS **3 MARKS**

1. Name the industry which is concerned with the production of goods with the help of the nature. Explain any two types of such industries.

[BEQ] [Govt. MQP-2018; Mar-2019]

Ans. **Primary Industries :**

Primary industry is concerned with production of goods with the help of nature. These industries may be further sub divided as follows:

(i) Extractive Industries :

These industries extract or draw out products from natural sources. Extractive industries supply some basic raw materials that are mostly products of geographical or natural environment. Important extractive industries include farming, mining, oil drilling, hunting and fishing operations.

(ii) Genetic Industries :

These industries remain engaged in breeding plants and animals for their use in further reproduction. The seeds, nursery companies, poultry, dairy, piggery, hatcheries, nursery, fisheries, apiary etc are classic examples of genetic industries.

2. Write any three characteristics of commerce.

[QY-2018, 2019; HY-2018]

Ans. (i) **Economic activities :**

All economic activities are undertaken to earn a profit. Commerce deals with all economic activities undertaken for profit.

(ii) Exchange of goods and services :

Commerce involves an exchange of goods and services for profit. Goods may be produced for the purpose of resale to the customers.

(iii) Earning Motive :

Profit is an incentive for undertaking all commercial activities. Any activity, which does not have the incentive of profit, will not be a part of commerce.

IV. LONG ANSWER QUESTIONS **5 MARKS**

1. Activities involving distribution of goods and services is called commerce whereas purchase and sale of goods and services is called trade. Tabulate the other differences between the two?

[BEQ] [Govt. MQP-2018]

UNIT II

FORMS OF BUSINESS ORGANISATION

CHAPTER

4

SOLE PROPRIETORSHIP

CHAPTER SNAPSHOT

- 4.01 Introduction
- 4.02 Definition of Sole Trader
- 4.03 Characteristics
- 4.04 Advantages and Disadvantages

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. Which is the oldest form of Business organisation?

[BEQ] [QY-2018; Mar-2019; HY-2019; Sep-2021]

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

[Ans. (a) Sole Proprietorship]

2. In which form the owner, establisher and manager is only one?

- (a) Joint Enterprise
- (b) Government Company
- (c) Co-operative Society
- (d) Sole Proprietor

[Ans. (d) Sole Proprietor]

3. A major disadvantage of sole proprietorship is _____.

[QY-2019; Mar-2020]

- (a) Limited liability (b) Unlimited liability
- (c) Easy Formation (d) Quick decision

[Ans. (b) Unlimited liability]

4. From the following which one is Non-corporate form of business?

[HY-2018]

- (a) Joint stock company
- (b) Sole trading business
- (c) Government company
- (d) Co-operatives

[Ans. (b) Sole trading business]

II. VERY SHORT ANSWER QUESTIONS.

1. Who is called a Sole Trader? [BEQ; Sep-2021]

Ans. The person who invests capital and manages the business himself is called as sole trader or sole proprietor.

2. What are the Non-Corporate enterprises? [Sep-2020]

Ans. (i) In a non-corporate form, the enterprise and its owners are considered as having the same entity i.e., the ownership and business are not separated.

(ii) Non-corporate business may be organised either as a sole proprietorship or as a partnership or as a joint hindu family business.

3. What are the Corporate enterprises?

Ans. In the corporate form, the legal entity of enterprise is distinct form that of its owners. i.e., the ownership is separated form its management and the owners cannot take direct control over the business.

III. SHORT ANSWER QUESTIONS.

1. How is it possible to maintain secrecy in sole proprietorship? [BEQ]

Ans. (i) The maintenance of utmost secrecy is of vital importance for the business of a business.

(ii) A sole trade can maintain business secrets.

(iii) Being the sole proprietor, he is not expected to share his trade secrets with anybody else.

(iv) In this form of organisation, there is also no need to disclose accounts or any other material facts to the public.

2. What is unlimited liability? [Mar-2019; Sep-2021]

Ans. (i) The liability of the proprietor for the debts of the business is unlimited.

(ii) The creditors have the right to recover their dues even from the personal property of the proprietor incase the business assets are not sufficient to pay their debts.

(iii) This is known as unlimited liability.

3. Give some examples of sole trading business. [QY-2019]

Ans. (i) Handicrafts **(ii)** Filigree work
(iii) Tailoring shops **(iv)** Beauty parlour
(v) Retail trade **(vi)** Fruit sellers

IV. LONG ANSWER QUESTIONS.

1. Explain the characteristics of Sole trading business. (any 5)

[BEQ] [Govt. MQP-2018; June-2019; QY-2019; Sep-2020 & 2021]

Ans. (i) Ownership by one Man :

This is owned by single person. The sole trader contributes the required capital.

(ii) Freedom of work and Quick Decisions :

Since the individual is himself as a owner, he need not consult anybody else. Hence he can take quick decisions.

(iii) Unlimited Liability

When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.

(iv) Enjoying Entire Profit :

He strives tirelessly for the improvement and expansion of his business and enjoys all the benefits of his hard work.

(v) Absence of Government Regulation :

No legal formalities are to be observed in its formation, management or in its closure.

(vi) No Separate Entity :

The sole trading concern comes to an end with death, disability, insanity and insolvency of the individual.

(vii) Maintenance of Secrecy :

Since he/she manages all the affairs of the business, the secrecy can be maintained easily.

2. What are the advantages of Sole trading business? (any 5) [BEQ] [QY-2018; Mar-2020; Sep-2021]

Ans. The following are the advantages of a Sole trader :

(i) Easy Formation :

No legal formalities are required to initiate a sole trading concern.

(ii) Incentive to Work hard :

- (1)** There is a direct relationship between effort and reward.
- (2)** The fact that the entire profit can be taken by himself without sharing with anybody else induces him to work ceaselessly.

(iii) Small Capital :

- (1)** Small capital is an important as well as specific advantage of sole proprietorship.
- (2)** Sole proprietor can start business with small capital.

(iv) Credit Standing :

Since his private properties are held liable for satisfying business debts, he can get more financial assistance from others.

(v) Personal Contact with the Customers :

Since sole proprietor knows each and every customer individually he can supply goods according to their taste and preferences.

(vi) Flexibility :

The sole trader can easily adjust himself to the changing requirements of his business.

CHAPTER

5

HINDU UNDIVIDED FAMILY AND PARTNERSHIP

CHAPTER SNAPSHOT

- 5.01 Introduction to HUF
- 5.02 Meaning and Definition of Partnership
- 5.03 Partnership Deed and its Contents
- 5.04 Rights and Duties of Partners
- 5.05 Types of Partners
- 5.06 Procedure for Registration
- 5.07 Drawbacks of Non-Registration of Partnership
- 5.08 Dissolution of Partnership

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. The firm of Hindu Undivided Family is managed by whom?

- (a) Owner
- (b) Karta
- (c) Manager
- (d) Partner

[Ans. (b) Karta]

2. In the firm of Hindu Undivided Family, how one gets the membership?

[BEQ] [First Mid-2018; QY-2019; HY-2019]

- (a) By Agreement
- (b) By Birth
- (c) By Investing Capital
- (d) By Managing

[Ans. (b) By Birth]

3. The members in the joint hindu family are called _____.

[BEQ] [QY-2018]

- (a) Karta
- (b) Coparceners
- (c) Generations
- (d) Partners

[Ans. (b) Coparceners]

4. 'Only the male members in the family get the right of inheritance by birth' as _____.

- (a) Hindu law
- (b) Mitakshara Law
- (c) Dayabhaga law
- (d) None of these

[Ans. (b) Mitakshara Law]

5. A partnership is formed by _____. [Sep-2020]

- (a) agreement
- (b) relationship among persons
- (c) the direction of government
- (d) friendship

[Ans. (a) agreement]

II. VERY SHORT ANSWER QUESTIONS.

1. Who is called KARTA? [QY-2019; Mar-2020]

Ans. All the affairs of a Joint Hindu Family are controlled and managed by one person who is known as 'Karta' or 'Manager'. The Karta is the senior most male member of the family.

2. What are the two schools of Hindu law?

(or) [Mar-2019; HY-2019; Sep-2021]

What are the two sections of Hindus law? [QY-2018]

Ans. There are two schools of Hindu Law-one is Dayabhaga which is prevalent in Bengal and Assam and the other is Mitakshara prevalent in the rest of the-country.

3. Who is called a Partner?

Ans. The Person who enter into partnership are individually called Partners and collectively known as 'Firm'.

4. Who is a Sleeping Partner? [June-2019]

Ans. The Partners who merely contribute capital and do not take active interest in the conduct of the business of the firm are called sleeping or dormant or financing partners.

5. How many types of Dissolution?

Ans. Dissolution of Partnership firm means putting an end to the relationship among the Partners. This may be of two types. They are:

- (a) Dissolution of Firm
- (b) Dissolution of Partnership

III. SHORT ANSWER QUESTIONS.

1. Write any three features of HUF.

[BEQ] [First Mid-2018; June-2019; QY-2018; Sep-2021]

Ans. (i) Governed by Hindu Law :

The business of the Joint Hindu Family is controlled and managed under the Hindu law.

(ii) Management :

The members of the family have full faith and confidence in Karta. Only Karta is entitled to deal outsiders.

(iii) Membership by Birth :

The membership of the family can be acquired only by birth. Membership requires no consent or agreement.

(iv) Permanent Existence :

The death, lunacy or insolvency of any member of the family does not affect the existence of the business of Joint Hindu Family.

(v) Implied Authority of Karta :

In a joint family firm, only Karta has the implied authority to enter into a contract for debts and pledge the property of the firm for the ordinary purpose of the businesses of the firm.

2. What is the minimum and maximum number of members in the partnership concern?

Ans. (i) In the partnership business the minimum number of partners is two.

(ii) The maximum number of partners has been limited to 10 in the case of banking business and 20 in the case of other business.

3. What is the meaning of Partnership Deed? [BEQ]

Ans. (i) A Partnership firm can be formed through an agreement among two or more persons.

(ii) In India this agreement may be oral or in writing.

(iii) But it is desirable to have it in writing to avoid any misunderstanding among the partners in future.

(iv) All the terms and conditions of Partnership are included in the agreement.

(v) The Partnership agreement is also known as Partnership Deed or Articles of Partnership.

IV. LONG ANSWER QUESTIONS.

1. What are the contents of Partnership Deed? (any 5)

Ans. (1) Name of the Firm [Mar-2019; QY-2019; Sep-2021]

(2) Nature of the proposed business

(3) Duration of partnership

(4) Capital contribution

(5) Withdrawal from the firm

(6) Profit/loss sharing

(7) Interest on capital

(8) Rate of interest on drawing

(9) Loan from partners

(10) Account keeping

(11) Salary and Commission to Partners

(12) Retirement

(13) Goodwill valuation

(14) Distribution of responsibility

(15) Dissolution procedure

(16) Arbitration of dispute

2. Explain the types of dissolution of partnership firm. (any 5) [HY-2018]

Ans. Dissolution of a partnership firm is taken place in two ways.

(a) Without the order of the court and

(b) By order of the court.

CHAPTER

6

JOINT STOCK COMPANY

CHAPTER SNAPSHOT

- 6.01 Meaning and Definition of a Company
- 6.02 Types of Companies
- 6.03 Memorandum of Association
- 6.04 Articles of Association
- 6.05 Prospectus

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. The relationship between outsiders and the company is defined in _____ [BEQ] [QY-2019]

- (a) Prospectus
- (b) Articles of Association
- (c) Memorandum of Association
- (d) Certificate of Incorporation

[Ans. (c) Memorandum of Association]

2. Table A of the Companies Act is a _____

- (a) Model minutes book [Sep-2020]
- (b) Model form of Balance Sheet
- (c) Model of AOA
- (d) Model of MOA

[Ans. (c) Model of AOA]

3. Which of the following is created by a Special Act of Parliament or in State Assemblies? [Mar-2020]

- (a) Chartered company
- (b) Foreign company
- (c) Government company
- (d) Statutory company

[Ans. (d) Statutory company]

4. The Board of directors of a company is elected by _____ [BEQ] [Govt. MQP-2018, 2019; First Mid-2018;

QY-2018; Mar-2019]

- (a) Creditors
- (b) Debtors
- (c) Debenture holders
- (d) Share holders (members)

[Ans. (d) Share holders (members)]

5. Companies established as a result of a charter granted by the King or Queen of a country is called _____ [HY-2019]

- (a) Chartered companies
- (b) Statutory companies
- (c) Registered companies
- (d) Foreign companies

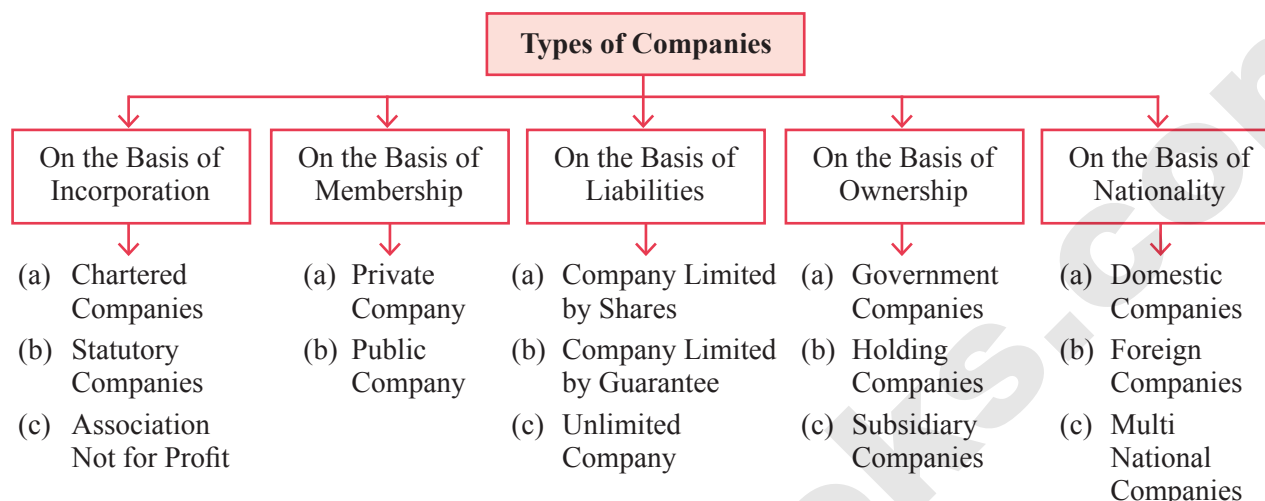
[Ans. (a) Chartered companies]

II. VERY SHORT ANSWER QUESTIONS.

1. What are the different types of companies?

[BEQ] [First Mid-2018]

Ans.



2. Define a Company.

[BEQ]

Ans. According to James Stephenson, "A company is an association of many persons who contribute money or money's worth to a common stock and employ it in some trade or business, and who share the profit and loss (as the case may be) arising there from."

3. What is meant by Limited liability?

[HY-2019]

- Ans. (i) The liability of the members of the company is limited to contribution to the assets of the company upto the face value of shares held by him.
- (ii) A member is liable to pay only the uncalled money due on shares held by him.

4. Explain any two characteristics of a company.

Ans. (i) **Separate Legal Entity :**

- (1) Under Incorporation a company becomes a separate legal entity as compared to its members.
- (2) It has its own seal and its own name, its assets and liabilities are separate and distinct from those of its members.

(ii) **Limited Liability :**

- (1) The liability of the members of the company is limited to contribution to the assets of the company upto the face value of shares held by him.
- (2) A member is liable to pay only the uncalled money due on shares held by him.

5. What is meant by Chartered Company?

[QY-2018; HY-2018; Sep-2020]

Ans. (i) Chartered companies are established by the King or Queen of a country. Powers and privileges of chartered company are specified in the charter.

- (ii) **Examples :** East Indian Company, Bank of England, Hudson's Bay Company.

III. SHORT ANSWER QUESTIONS.

1. What are the advantages of Companies? (any 3)

Ans. (i) **Large Capital :**

- (1) A company can secure large capital compared to a sole trader or partnership.
- (2) Large amount of capital is necessary for conducting business on a large scale.

(ii) **Limited Liability :**

- (1) The liability of a shareholder is limited.
- (2) In the case of a company limited by guarantee, his liability is restricted to the amount that he has guaranteed to contribute in the event of winding up of the company.

(iii) **Transferability of Shares :**

- (1) Transaction of Shares between two individuals is easy. So there is liquidity of investment.
- (2) Any shareholder can easily convert his shares into money by selling his shares.

CHAPTER

8

MULTINATIONAL CORPORATIONS
(MNCs)

CHAPTER SNAPSHOT

- 8.01 Meaning and Definition
- 8.02 Advantages and Disadvantages
- 8.03 Examples of MNCs

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. A Multinational Corporation can be defined as a firm which

- (a) is beyond the control of any government
 - (b) is one of the top 200 firms in the world
 - (c) owns companies in more than one country
 - (d) All the above
- [Ans. (c) owns companies in more than one country]

2. Centralised control in MNC's implies control exercised by

- (a) Branches
 - (b) Subsidiaries
 - (c) Headquarters
 - (d) Parliament
- [Ans. (c) Headquarters]

3. Enterprises operating in several countries but managed from one country is termed as

- (a) Government company
 - (b) Multinational company
 - (c) Private company
 - (d) Joint Venture
- [Ans. (b) Multinational company]

4. Dispersal of decision making power to branches/ affiliates/subsidiaries by head office represents

- (a) Centralisation
- (b) Decentralisation
- (c) Power
- (d) Integration

[Ans. (b) Decentralisation]

5. Coca-Cola company is an example of

- (a) MNC
- (b) Government company
- (c) Joint Venture
- (d) Public company

[Ans. (a) MNC]

II. VERY SHORT ANSWER QUESTIONS

1. Define Multinational Company.

[BEQ] [First Mid-2018; QY-2018, 2019]

Ans. According to, Neil H. Jacoby, "A multinational corporation owns and manages business in two or more countries".

2. Write any two advantages of MNC's.

[BEQ] [Mar-2019]

Ans. (i) Its products and services of good quality at low cost.

(ii) MNCs help to improve the standard of living of people of host countries.

3. Give two examples of MNC's.

- Ans. (i)** Bata India
(ii) Colgate India
(iii) Maruthi Suzuki

III. SHORT ANSWER QUESTIONS

1. Name the type of business enterprises which operates in more than one country.

Ans. Multinational company are those enterprises which operates in more than one country.

eg: Philips - Dutch company.

Coca-Cola company - America company.

IBM - America company.

2. Write any three Indian MNC's.

Company	Headquarters
Micromax Informatics	Gurgaon
Hero Motocorp	New Delhi
Bajaj	Pune

IV. LONG ANSWER QUESTIONS

1. What are the advantages of MNC's? (any 5)

[BEQ] / Govt. MQP-2018; First Mid-2018; QY-2019]

Ans. (i) Low Cost Labour :

- (1) MNC set up their facilities in low cost countries and produce goods/service at lower cost.
- (2) It gains cost advantage and sells its products and services of good quality at low cost.

(ii) Quality Products :

The resource, experience and expertise of MNCs in the sphere of research and development enables the host country to establish its research and development system which helps it in producing quality goods and services at least possible cost.

(iii) Proper Use of Idle Resources :

Because of their advanced technical knowledge, MNCs are in a position to properly utilise idle physical and human resources of the host country.

(iv) Improvement in Balance of Payment Position :

MNCs help the host countries to increase their exports. As such, they help the host country to improve upon its Balance of Payment position.

(v) Improvement in Standard of Living :

By providing super quality products and services, MNCs help to improve the standard of living of people of host countries.

2. What are the disadvantages of MNC's? (any 5)

Ans. (i) Danger for Domestic Industries :

(1) MNCs, because of their vast economic power, pose a danger to domestic industries; which are still in the process of development.

(2) Domestic industries cannot face challenges posed by MNCs.

(ii) Transfer of Outdated Technology :

Where MNCs transfer outdated technology to host nation, it serves no purpose.

(iii) No Benefit to Poor People :

MNCs produce only those things, which are used by the rich. Therefore, poor people of host countries do not get, generally, any benefit, out of MNCs.

(iv) Danger to Independence:

Initially MNCs help the Government of the host country, in a number of ways; and then gradually start interfering in the political affairs of the host country. There is, then, an implicit danger to the independence of the host country, in the long-run.

(v) Misuse of Mighty Status

MNCs are powerful economic entities. They can afford to bear losses for a long while, in the hope of earning huge profits-once they have ended local competition and achieved monopoly. This may be the dirty marketing strategy of MNCs to wipe off local competitors from the host country.

CHAPTER

15

INSURANCE

CHAPTER SNAPSHOT

15.01 Meaning and Definition of Insurance

15.02 Principles of Insurance

15.03 Types of Insurance

15.04 Insurance Regulatory Development
Authority of India (IRDAI)

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. The basic principle of insurance is _____.

[BEQ] [QY-2018; 2019]

- (a) Insurable Interest (b) Co-operation
(c) Subrogation (d) Proximate causa

[Ans. (a) Insurable Interest]

2. _____ is not a type of general insurance. [Sep-2021]

- (a) Marine Insurance (b) Life Insurance
(c) Fidelity Insurance (d) Fire Insurance

[Ans. (b) Life Insurance]

3. Which of the following is not a function of insurance?

- (a) Lending Funds (b) Risk Sharing
(c) Capital formation (d) Protection of life

[Ans. (d) Protection of life]

4. Which of the following is not applicable in insurance contract?

- (a) Unilateral contract
(b) Conditional contract
(c) Indemnity contract
(d) Inter-personal contract

[Ans. (c) Indemnity contract]

5. Which one of the following is a type of marine insurance? [BEQ]

- (a) Money Back Policy (b) Cargo Insurance
(c) Hull Insurance (d) both b & c

[Ans. (d) both b & c]

II. VERY SHORT ANSWER QUESTIONS.

1. List any five important type of policies. [BEQ]

- Ans. (i) Whole Life Policy
(ii) Endowment Life Assurance Policy
(iii) Joint-Life Policy
(iv) Annuity Policy
(v) Children's Endowment Policy

2. What is health insurance?

[BEQ] [QY-2018, 2019; Govt. MQP-2019]

- Ans. (i)** Health insurance policy is a contract between an insurer and an individual or group, in which the insurer agrees to provide specified health insurance at an agreed upon price (premium).
- (ii)** Health insurance is taken as **safeguard against rising medical costs.**
- (iii)** It provides risk coverage against unforeseen health expenditure that may result in financial hardship.

III. SHORT ANSWER QUESTIONS.

1. Define Insurance.

Ans. According to John Merge "Insurance is a plan by themselves which large number of people associate and transfer to the shoulders of all, risk that attacks to individuals".

2. Give the meaning of Crop Insurance.

[Mar-2019; QY-2019; Sep-2021]

- Ans. (i)** Crop Insurance policy is to provide financial support to farmers in case of a **crop failure due to drought or flood.**
- (ii)** It generally covers all risks of loss or damages relating to production of rice, wheat, millets, oil seeds and pulses etc.

3. Write a note on IRDAI.

[BEQ] [QY-2018]

- Ans. (i)** Insurance Regulatory Development and Authority of India is the statutory, independent and apex body that governs, regulates and supervises the Insurance Industry in India.
- (ii)** It was constituted in the year 2000 by Parliament of India Act called IRDAI Act, 1999. At Present the Head quarter of IRDAI is in Hyderabad.

IV. LONG ANSWER QUESTIONS.

1. Explain the various types of Insurance. (any 5)

Ans. (I) Life Insurance :

- (1)** Life Insurance may be defined as a contract in which the insurance company called insurer undertakes to insure the life of a person called assured in exchange of a sum of money called premium which may be paid in one lump sum or monthly, quarterly, half yearly or yearly and promises to pay a certain sum of money either on the death of the assured or on expiry of certain period.

- (i)** Life insurance policies are of many kinds. Some of them are given below:

- (ii)** Whole Life Policy
- (iii)** Endowment Life Assurance Policy
- (iv)** Joint Life Policy (JLP)
- (v)** Annuity Policy
- (vi)** Children's Endowment Policy

(II) Non – Life Insurance :

It refers as the insurance not related to human but related to properties.

(III) Fire Insurance :

Fire insurance is a contract whereby the insurer, in consideration of the premium paid, undertakes to make good any loss or damage caused by a fire during a specified period upto the amount specified in the policy.

(IV) Marine Insurance :

- (1)** It is a contract of insurance under which the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses.
- (2)** The insured pays the premium in consideration of the insurer's guarantee to make good the losses arising from marine perils or perils of the sea.

(V) Health Insurance :

- (1)** In mid 80's, most of the hospitals in India were government owned and treatment was free of cost.
- (2)** With the advent of Private Medical Care, the need for Health Insurance was felt and various Insurance Companies introduced Health Insurance as a Product.
- (3)** Presently the health insurance exists primarily in the form of 'Mediclaim policy'.

(VI) Miscellaneous Insurance :

- (1)** Motor Vehicle Insurance
- (2)** Burglary Insurance
- (3)** Cattle Insurance
- (4)** Crop Insurance
- (5)** Sports Insurance

2. Explain the Principles of insurance. (any 5)

[BEQ] [QY-2018, 2019; HY-2018; June-2019; Sep-2020 & 2021]

Ans. (i) Utmost Good Faith :

According to this principle, both insurer and insured should enter into contract in good faith. Insured should provide all the information

that impacts the subject matter. Insurer should provide all the details regarding insurance contract.

Example: Mr. M is a heart patient. But he hides this fact to the LIC while taking a life policy. On his death due to a heart attack, LIC can refuse to pay compensation to his legal representative because a material fact was not disclosed by the insured.

(ii) Insurable Interest :

Insurable interest means some pecuniary interest in the subject matter of the insurance contract. The insured must have an interest in the preservation of the thing or life insured, so that they will suffer financially on the happening of the event against which they are insured.

Example: a businessman has insurable interest in his stock of goods.

(iii) Indemnity :

Indemnity means security or compensation against loss or damages. This principle of indemnity is applicable to property insurance alone.

Example: A businessman gets his stock of goods insured for ₹ 5,00,000. If the goods are

destroyed by the fire, the insurance company will be liable to pay compensation for the loss caused to the insured. However, maximum compensation shall be ₹5,00,000 even if loss is more than this.

(iv) Causa Proxima :

The word 'Causa proxima' means 'nearest cause'. According to this principle, when the loss is the result of two or more cause, the proximate cause, i.e. the direct. The direct, the most dominant and most effective cause of loss should be taken into consideration.

(v) Contribution :

The same subject matter may be insured with more than one insurer then it is known as 'Double Insurance'. In such a case, the insurance claim to be paid to the insured must be shared or contributed by all insurers in proportion to the sum assured by each one of them.

Example: A businessman gets his factory insured against fire for ₹10,00,000 with insurer A and ₹5,00,000 with insurer B. Due to fire, a loss of ₹1,50,000 occurred. Then, insurers A and B will contribute the loss in the ratio of 2:1. A will pay ₹1,00,000 and B will pay ₹50,000.

GOVERNMENT EXAM QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

1. Which of the following is not a principle of Insurance? [BEQ] [Govt. MQP-2018]

- (a) Lending funds (b) Utmost good faith
(c) Insurable interest (d) Indemnity

[Ans. (a) Lending funds]

2. _____ is taken up jointly on the lives of two or more persons. [Mar-2019]

- (a) Joint Life Policy
(b) Endowment Life Assurance Policy
(c) Whole Life Policy
(d) Annuity Policy

[Ans. (a) Joint Life Policy]

II. VERY SHORT ANSWER QUESTIONS

2 MARKS

1. Every business is exposed to different types of risks such as fire, theft, accident, etc. some of the risk can be transferred to a specialised institution

known as Insurance Companies. What do you mean by Insurance? [BEQ] [Govt. MQP-2018]

Ans. Insurance is a means of providing monetary coverage against loss caused by natural or man-made factors

2. A businessman insured his factory against fire for ₹ 10 lakhs with the Oriental insurance company, and ₹ 5 lakhs with New India insurance company. The factory is destroyed by fire and the actual loss is ₹ 9 lakhs. What is the amount of contribution made by each company? [BEQ] [Govt. MQP-2018]

Ans. As the ratio is 2 : 1

Oriental insurance company	-	₹ 6,00,000
New India insurance company	-	₹ 3,00,000

3. Deepak insured his factory ₹5 lakh against fire. Due to fire he suffered a loss of ₹2 lakh. How much amount he can recover from the Insurance Company? Why? [June-2019]

Ans. Deepak will recover ₹2 lakh from the insurance company according to the 'Principle of indemnity'.

CHAPTER

20

INTERNATIONAL FINANCE

CHAPTER SNAPSHOT

- 20.01 Introduction
- 20.02 Foreign Direct Investment and Institutional Investors
- 20.03 International Capital Market
- 20.04 Global Depository Receipt (GDR)
- 20.05 American Depository Receipt (ADR)
- 20.06 Foreign Currency Convertible Bonds (FCCB)

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. An instrument representing ownership interest in securities of a foreign issuer is called _____.
(a) an ownership certificate
(b) a depository receipt
(c) an ownership receipt
(d) None of the above
[Ans. (b) a depository receipt]
2. Issuance of DRs is based on the increase of demand in the _____. [BEQ]
(a) International market
(b) Local market
(c) Existing shareholders
(d) All of the above
[Ans. (a) International market]
3. ADRs are issued in _____. [HY-2018; June-2019]
(a) Canada
(b) China
(c) India
(d) The USA
[Ans. (d) The USA]

4. Depository receipts that are traded in an International market other than the United states are called _____. [BEQ]

- (a) Global Depository Receipts
- (b) International Depository Receipts
- (c) Open Market Depository Receipts
- (d) Special Drawing Rights.

[Ans. (a) Global depository Receipts]

5. _____ bond is a special type of bond issued in the currency other than the home currency. [Mar-2019; HY-2019]

- (a) Government Bonds
- (b) Foreign Currency Convertible Bond
- (c) Corporate Bonds
- (d) Investment Bonds

[Ans. (b) Foreign Currency Convertible Bond]

II. VERY SHORT ANSWER QUESTIONS

1. Who are Foreign Institutional Investors? [BEQ]

Ans. (i) FII can be defined as investment made by a Non-resident in equity of domestic company without intention of acquiring management control.

- (ii) In other words the investment made by an individual investor or an investment fund, into the financial markets of another nation. Organisations like hedge funds, insurance companies, pension funds and mutual funds can be called as institutional investors.

2. What is a Depository Receipt?

Ans. (i) A Depository receipt is a **negotiable financial instrument** issued by a bank to represent a foreign company's equity shares or securities.

- (ii) They are issued to attract a greater amount of investment from other countries.

3. What is a Global Depository Receipt (GDR)?

[Govt. MQP-2019]

Ans. GDR (Global Depository Receipt) is an **instrument issued abroad by a company** to raise funds in some foreign currencies and is listed and traded on a foreign stock exchange.

4. What is American Depository Receipt (ADR)?

Ans. ADR (American Depository Receipts) is a **dollar denominated negotiable certificate** representing a non-US company in US Market which allows the US citizens to invest in overseas securities.

III. SHORT ANSWER QUESTIONS

1. Explain the importance of international finance. (any 3)

- Ans. (i)** International finance helps in calculating exchange rates of various currencies of nations and the relative values of each and every nation in terms thereof.
- (ii) It helps in comparing the inflation rates and getting an idea about investing in international debt securities.
- (iii) It helps in ascertaining the economic status of the various countries and in judging the foreign market.

- (iv) It helps in understanding the basics of international organisations and maintaining the balance among them.

2. What is meant by Foreign Currency Convertible Bonds?

Ans. (i) Foreign Currency convertible bond is a Special type of bond issued in the currency other than the home currency.

- (ii) In other words, companies issue foreign currency convertible bonds to raise money in Foreign currency.

Features of FCCBs :

- (i) It is issued by an Indian Company in foreign currency.
- (ii) It is a convertible debt instrument. It carries interest coupon. It is unsecured.
- (iii) It gives its holders the right to convert for a fixed number of shares at a pre-determined price.
- (iv) It can be converted into equity or Depository receipt after certain period.

3. Explain any three disadvantages of FDI.

Ans. (i) Heavy outflow of capital :

- (1) Foreign companies are said to take away huge funds in the form of dividend, royalty fees, etc.
- (2) This causes a huge outflow of Capital from the host country.

(ii) **Exploiting Cheap Labour :**

- (1) Foreign enterprises employ cheap labour force at a lower pay in developing countries.
- (2) They do not employ local people for higher posts in the management.

(iii) **Creating Monopolistic Environment :**

Multi-national companies (MNCs) which enter the host country through FDI route create monopolistic conditions in the host countries through their market power.

IV. LONG ANSWER QUESTIONS.

1. Distinguish between GDR and ADR. (any 5)

[June-2019]

Ans.

Sl. No.	Basis for comparison	GDR (Global Depository Receipts)	ADR (American Depository Receipts)
1.	Denomination	It is denominated in terms of any freely convertible currency.	It is denominated only in US dollars.
2.	To whom it is issued	It is issued to investors in one or more markets simultaneously.	It is issued only to investors, who are residents of the US

11th
STD

GOVT. SUPPLEMENTARY EXAM - SEPT. 2021
COMMERCE (with Answer)

Reg. No.

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TIME ALLOWED : 3.00 Hours]

PART - III

[MAXIMUM MARKS : 90

Instructions :

- 1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor Immediately.
- 2) Use **Blue** or **Black** ink to write and underline and pencil to draw diagrams

PART - I

Note : (i) Answer all the questions. [20 × 1 = 20]

- (ii) Choose the most appropriate answer from the given **four** alternatives and write the option code and the corresponding answer.

1. Trade and Commerce was common to _____ Dynasty.
(a) Pandiya (b) Pallava
(c) Chera (d) Chola
2. The primary objective of a business is :
(a) Not Making Profit
(b) Special Skill
(c) Making Profit
(d) None of the above
3. Which is the oldest form of Business Organisation?
(a) Co-operative Society (b) Sole Proprietorship
(c) Company (d) Partnership
4. Registration of partnership is _____.
(a) optional (b) not necessary
(c) compulsory (d) none of the above
5. All Co-operatives are established with _____.
(a) Profit motive
(b) Philanthropic motive
(c) Reform motive
(d) Service motive
6. Life Insurance Corporation of India is a _____ form of organisation.
(a) Multinational corporation
(b) Statutory corporation
(c) Private firm
(d) Departmental undertaking
7. Which Bank has the power to issue currency notes?
(a) Co-operative Banks (b) Central Bank
(c) Foreign Banks (d) Commercial Banks
8. In which kind of Account, it is compulsory to deposit certain amount at a certain time?
(a) Current deposit (b) Saving deposit
(c) Recurring deposit (d) Fixed deposit

9. _____ warehouses are used for storing perishable goods like fruits, vegetables etc.
(a) Cold storage (b) Bonded
(c) Co-operative (d) Private
10. _____ is not a type of General Insurance.
(a) Health Insurance
(b) Marine Insurance
(c) Fire Insurance
(d) Life Insurance
11. Which of the following holder is given voting right?
(a) Equity shares (b) Debentures
(c) Bonds (d) Preference shares
12. Match the following :

(1) Public Sector Bank	(i) MUDRA
(2) Private Sector Bank	(ii) SIDBI
(3) Micro Finance Institution	(iii) HDFC
(4) Non-Banking Finance Institution	(iv) Canara Bank

 (a) (1)-(ii), (2)-(i), (3)-(iv), 4-(iii)
 (b) (1)-(i), (2)-(iii), (3)-(iv), 4-(ii)
 (c) (1)-(iii), (2)-(iv), (3)-(ii), 4-(i)
 (d) (1)-(iv), (2)-(iii), (3)-(i), 4-(ii)
13. When goods are imported for the purpose of export it is called as _____.
(a) Entrepot (b) Foreign Trade
(c) Trade (d) Home Trade
14. Who is the first middleman in the Channel of distribution?
(a) Retailer (b) Wholesaler
(c) Customer (d) Producer
15. Small shops which deal in a particular line of products are called as _____.
(a) General stores (b) Market traders
(c) Street Stalls (d) Single line stores
16. _____ is a business agreement wherein Enterprises agree to develop new entity and assets subscribing to Equity shares.
(a) Joint Venture (b) Partnership
(c) Private Company (d) Co-operative Society

[211]

17. Every promise and every set of promises, forming the consideration for each other, is an :
(a) Offer (b) Agreement
(c) Acceptance (d) Contract
18. The compensation given for breach of contract is :
(a) Money (b) Damage
(c) Cheque (d) Remuneration
19. The year in which income is earned is known as :
(a) Light year (b) Assessment year
(c) Calendar year (d) Previous year
20. Goods and Service Tax is a _____.
(a) Dependence on the type of goods and services
(b) Direct Tax
(c) All Business Transactions
(d) Indirect Tax

PART - II

Note : Answer any seven questions. Question No. 30 is compulsory. $7 \times 2 = 14$

21. Who is called a Sole Trader?
22. What are the two Schools of Hindu Law?
23. Briefly explain the need of Debit card.
24. What is a Warehouse?
25. What is Internal Trade?
26. Who is a broker?
27. What do you mean by International business?
28. Can a minor enter into a Contract?
29. What is meant by Assessment year? Mention the period of Assessment.
30. In which form of business organisation, the Indian Government provides Tax Concession?

PART - III

Note : Answer any seven questions. Q.No. 40 is compulsory. $7 \times 3 = 21$

31. What are the ports developed by Pandiya Kingdom?
32. What is Unlimited liability?
33. Write any three features of Hindu Undivided Family.
34. What is e-Banking?
35. Give the meaning of Crop Insurance.
36. What are the different ways in which banks fund Self Help Groups?
37. Explain the characteristics of super markets.
38. What are the features of International business?
39. Define Offer.
40. What are the types of Foreign Trade? Give an example for each one of them.

PART - IV

Note : Answer all the questions. $7 \times 5 = 35$

41. (a) State any five hindrances of Commerce.
(OR)
(b) Explain any five sources of short-term finances given by Commercial Banks.

42. (a) State any five differences between economic and non-economic activity with an example.
(OR)
(b) Explain any five factors affecting Channel of distribution.
43. (a) Explain the contents of Partnership Deed.
(OR)
(b) Explain the traditional functions of Reserve Bank of India.
44. (a) What are the advantages of Sole Trading Business?
(OR)
(b) Explain any five features of a Government Company.
45. (a) What are the objectives of Self Help Groups?
(OR)
(b) Explain any five secondary functions of Commercial Banks
46. (a) Explain with suitable examples, any five principles of Insurance.
(OR)
(b) State the features of Departmental Stores.
47. (a) Elucidate any five features of Income Tax.
(OR)
(b) Explain the services rendered by retailers to consumers.

ANSWERS

PART - I

1. (a) Pandiya
2. (c) Making Profit
3. (b) Sole Proprietorship
4. (a) optional
5. (d) Service motive
6. (b) Statutory Corporation
7. (b) Central Bank
8. (c) Recurring deposit
9. (a) Cold storage
10. (d) Life Insurance
11. (a) Equity shares
12. (d) (1) - (iv), (2) - (iii), (3) - (i), (4) - (ii)
13. (a) Entrepot
14. (b) Wholesaler
15. (d) Single line stores
16. (a) Joint Venture
17. (b) Agreement
18. (b) Damage
19. (d) Previous year
20. (d) Indirect Tax