

+1 Com Model Hly 2022

Date : 03-Dec-22

11th Standard

Commerce

Reg.No. :

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Use Blue Ink Only

Exam Time : 03:00:00 Hrs

Total Marks : 90

Part A Multiple Choice Question

20 x 1 = 20

- 1) In Pandiyas Dynasty the place where the goods are sold is _____.
(a) Angadi (b) Market (c) Nalangadi (d) Allangadi
- 2) Occupation of a Doctor is _____.
(a) Employment (b) Business (c) Profession (d) Sole Proprietor
- 3) A major disadvantage of sole proprietorship is _____.
(a) Limited liability (b) Unlimited liability (c) Easy Formation (d) Quick decision
- 4) A partnership is formed by _____.
(a) agreement (b) relationship among persons (c) the direction of government (d) friendship
- 5) Which of the following is created by a Special Act of Parliament or in State Assemblies?
(a) Chartered company (b) Foreign company (c) Government company (d) Statutory company
- 6) Centralised control in MNC's implies control exercised by _____.
(a) Branches (b) Subsidiaries (c) Headquarters (d) Parliament
- 7) The Reserve Bank of India commenced its operations from April 1, _____.
(a) 1936 (b) 1935 (c) 1934 (d) 1933
- 8) _____ warehouses are used for storing perishable goods like fruits, vegetables etc.
(a) Bonded (b) Private (c) Cold storage (d) Co-operative
- 9) _____ is a document acknowledging the receipt of goods by a carrier.
(a) Way bill (b) Consignment note (c) Charter party (d) Bill of lading
- 10) Which type of responsibility gives the benefit to the society out of its profits earned?
(a) Legal (b) Ethical (c) Moral (d) Economic
- 11) Depository receipts that are traded in an international market other than the United States are called _____.
(a) Global depository receipts (b) International Depository receipts (c) Open market depository receipts
(d) Special Drawing Rights.
- 12) MSMED Act was enacted in the year _____.
(a) 2004 (b) 2007 (c) 2006 (d) 2008
- 13) When goods are Imported for the purpose of Export it is called as _____.
(a) Foreign Trade (b) Home Trade (c) Entrepot Trade (d) Trade
- 14) Who is the first middleman in the channel of distribution?
(a) Wholesaler (b) Producer (c) Retailer (d) customer
- 15) _____ are mobile traders who deal in low priced articles with no fixed place of business.
(a) Shopping mall (b) Super Markets (c) Street Stalls (d) Itinerant traders
- 16) EPC stands for _____.
(a) Export Processing Commission (b) Export Promotion Council (c) Export Carriage Council
(d) Export Promotion Congress
- 17) WTO was established on _____.
(a) 1-1-1996 (b) 1-1-1997 (c) 1-1-1995 (d) 1-1-1994
- 18) The Balance of Payments councils consists of _____.
(a) Current Account (b) Capital Account (c) Receipts and Payments Account
(d) Both Current Account and Capital Account
- 19) Void agreement signifies _____.
(a) Agreement illegal in nature (b) Agreement not enforceable by law (c) Agreement violating legal procedure
(d) Agreement against public policy
- 20) Period of assessment year is _____.
(a) 1st April to 31st March (b) 1st March to 28th February (c) 1st July to 30th June (d) 1st Jan to 31st Dec.

Part B Answer Any 7 Questions and Question Number 30 is Compulsory

7 x 2 = 14

- 21) What is meant by Barter System?
- 22) What are the Non-corporate enterprises?
- 23) Define a Company.
- 24) Define Cooperatives.
- 25) What are Foreign banks?
- 26) Give the meaning of Social power.
- 27) What is a Depository Receipt?
- 28) What is a Self Help Group?
- 29) Define Contract.
- 30) What do you mean by Indirect tax

Part C Answer Any 7 Questions and Question Number 40 is Compulsory

7 x 3 = 21

- 31) What are the ports developed by Pandiya Kingdom?

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- 32) What is the meaning of Partnership Deed?
 33) What is meant by Government Company?
 34) Define Insurance.
 35) What is the impact of e-commerce on Buyers?
 36) List out the products produced by MSME in Tamil Nadu?
 37) Explain any three characteristics of wholesalers?
 38) Mention the functions of SAARC?
 39) Who can demand performance?
 40) Write short notes on :
 1. Direct Tax
 2. Indirect Tax.

Part D Answer All

7 x 5 = 35

- 41) a) What are the hindrances of commerce?
 b) Explain briefly the different types of Foreign trade. (OR)
- 42) a) Write short notes on :
 (a) Analytical Industry
 (b) Genetic Industry and
 (c) Construction Industry
 b) Explain the advantages of warehousing functions. (OR)
- 43) a) Distinguish between Bill of Lading and Charter party?
 b) Distinguish between direct taxes and indirect taxes. (OR)
- 44) a) What are the contents of Partnership Deed?
 b) Elucidate the features of factoring. (OR)
- 45) a) What are the contents of Articles of Association?
 b) What are the objectives of SHGs? (OR)
- 46) a) Distinguish between GDR and ADR?
 b) Distinguish between internal and international trade. (OR)
- 47) a) Discuss the advantages of railway transport.
 b) Explain the Principles of insurance. (OR)

“The way to get started is to quit talking and begin doing.”

+1 Com Model Hly 2022

Date : 23-Nov-22

11th Standard

Commerce

Reg.No. :

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Time : 03:00:00 Hrs

Total Marks : 90

20 x 1 = 20

Part A Multiple Choice Question

- 1) (a) Angadi
- 2) (c) Profession
- 3) (b) Unlimited liability
- 4) (a) agreement
- 5) (d) Statutory company
- 6) (c) Headquarters
- 7) (b) 1935
- 8) (c) Cold storage
- 9) (a) Way bill
- 10) (c) Moral
- 11) (a) Global depository receipts
- 12) (c) 2006
- 13) (c) Entrepot Trade
- 14) (a) Wholesaler
- 15) (d) Itinerant traders
- 16) (b) Export Promotion Council
- 17) (c) 1-1-1995
- 18) (d) Both Current Account and Capital Account
- 19) (b) Agreement not enforceable by law
- 20) (a) 1st April to 31st March

Part B Answer Any 7 Questions and Question Number 30 is Compulsory

7 x 2 = 14

- 21) Barter system refers to a system where "Goods were exchanged for goods prior to invention of money".
- 22) The non-corporate enterprises are sole trading concern, partnership firm and Joint hindu family business.
- 23) 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 form."
(or)
According to Sec 2 of Companies Act 2013, "A company is an artificial person created by law having a separate entity with a perpetual succession and a Common seal".
- 24) According to Sir Horace Plunkett, Co-operation is "better farming, better business and better living".
- 25) Banks which have registered office in a foreign country and branches in India are called foreign banks.
- 26) 1. Business have considerable social power.
2. Their decisions and actions affect the lives and fortunes of the society.
3. They collectively determine for the nation such important matters as level of employment, rate of economic progress and distribution of. incoe among various groups.
- 27) (i) A depository receipt is a negotiable financial instrument issued by a bank to represent a Foreign company's publicity traded securities.
(ii) They are issued to attract a greater amount of investment from other countries.
- 28) (i) Self Help Group is a small Informal Voluntary Association.
(ii) It is created for the purpose of enabling members to Reap Economic benefit out of Mutual Help, solidarity, and Joint Responsibility.
- 29) As per the Indian Contract Act, 1872, a "contract" is an agreement enforceable by law.
- 30) Indirect Tax is levied on the goods and services. It is collected from the buyers by the sellers and paid by the sellers to the Government. Since, it is indirectly imposed on the buyers, it is called indirect tax.
E.g. GST -Goods and Services Tax, Excise Duty, etc.

Part C Answer Any 7 Questions and Question Number 40 is Compulsory

7 x 3 = 21

- 31) Port towns like Tondi, Korkai, Puhar and Muziri were developed by Pandiya kingdom.
- 32) Though a partnership agreement need not necessarily be in writing, it is important to have a written agreement in order to avoid misunderstandings; it is desirable to have a written agreement. A carefully drafted partnership deed helps in ironing out differences which may develop among partners and in ensuring smooth running of the partnership business. It should be properly stamped and registered.
- 33) A "Government Company" is defined under Section 2(45) of the Companies Act, 2013 as "any company in which not less than 51% of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company".
- 34) "Insurance is a plan by themselves which large number of people associate and transfer to the shoulders of all, risk that attacks to individuals" - According to John Merge.
- 35)

Impact of E-commerce on buyers:

1. Buyers could have a Global access to information about variety of products and services available in the market.
 2. They could buy the products / services round the clock from anywhere in the world.
 3. The prices of the product bought through E-commerce tend to be relatively lower than though purchased physically in the conventional shop due to offers and discount, etc.
 4. Electronic and software products could be downloaded immediately after purchase through e-commerce mode.
 5. Buyers can bargain and negotiate better terms and conditions with respect to Buying knowledge products.
- 36) In Tamil Nadu MSME's sector produces a wide variety of products in almost all fields. The prominent among them are textiles, Electronic Products, Engineering products, Auto ancillaries, Leather products, Chemicals, Plastics, Garments, Jewellery, etc.
- 37) **The following are the characteristics of wholesalers :**
1. The wholesaler buys goods directly from the producers or manufacturers.
 2. Wholesalers buy goods in large quantities and sell in relatively smaller quantities.
 3. Wholesaler sell different varieties of a particular variety of product
 4. They employ a number of agents or workers for distribution of products.
 5. They need large amount of Capital to be invested in his business
 6. They generally provide credit facility to retailers.
- 38) **Functions of SAARC are highlighted:**
- (i) Monitoring and Co-ordinating the development programmes.
 - (ii) Determining inter-sectoral priorities.
 - (iii) Mobilising Co-operation within and outside the region.
 - (iv) Dealing with modalities of financing.
- 39) Only a promisee can demand performance and not a stranger demand performance of the contract.
- 40) There are two types of taxes direct taxes and indirect taxes,
- (i) Direct Tax:**
- (1) If a tax levied on the income or wealth of a person and is paid by that person or his office directly to the Government, it is called direct tax.
 - (2) E.g.: Income tax, wealth tax, capital gain tax, etc.
- (ii) Indirect Tax:**
- (1) If tax is levied on the goods or services of a person (seller), it is collected from the buyers and is paid by seller to the Government. It is called indirect tax.
 - (2) E.g. GST

Part D Answer All

7 x 5 = 35

41) a)

The passage of goods and services between the producer and the consumer is beset with many hindrances and some of them are as follows:

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.
3. The chain of middlemen consisting of wholesalers, agents and retailers establish the link between the producers and consumers.

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.

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.
3. They are stored in warehouses in different regional centres so that they can be distributed at the right time to the consumers.

Hindrance of risk of deterioration in quality:

1. Proper packaging and modern air conditioned storage houses ensure that there is no deterioration in quality of products.
2. Goods are protected against insects, rats, evaporation etc..

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.

Hindrance of knowledge:

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

Hindrance of exchange:

Money functions as a medium of exchange and enable the buying and selling of any product or service by payment of the right price.

Hindrance of finance:

1. Producers and traders may not have the required funds at the time of their need.
2. Banks and other financial institutions provide funds and help in transfer of funds to enable the functioning of business smoothly.

Hindrance of developing the exact product:

Research and development helps in developing the exact product or service which can satisfy the specific wants of consumers and thus improve the standard of living of the people.

Hindrance of both selection and delivery at doorsteps:

E-Commerce enables the consumer to select the product in the website, place online orders and make payment after receiving the product at the door step.

(OR)

b)

Types of Foreign Trade :**A. Import Trade:**

Import trade means buying goods from a foreign country for domestic use.

Example:

1. India imports petroleum products from Gulf Countries.
 2. India imports machinery, equipment, materials, etc.
- It is necessary to speed-up industrialization, to meet consumer demands and to improve standard of living.

B. Export Trade:

Export trade means the sale of domestic goods to foreign countries.

Examples:

1. Export of Iron ore from India to Japan.
2. Selling of Tea from India to England.
3. Export of jasmine flowers from Madurai to Singapore.

Export trade is necessary to sell domestic surplus goods, to make better utilization of resources, to earn foreign exchange, to increase national income, to generate employment and to increase Government revenue.

India's important export and import items:

S.No	Export items	Import items
1	Petroleum products	Minerals, fuels including oil
2	Jewellery	Gem, Precious metals
3	Automobile	Electrical Machinery and Equipments
4	Bio-chemicals	Machinery including computers
5	Pharmaceuticals	Organic chemicals

C. Entrepot Trade:

Entrepot trade means importing of goods from one country and exporting the same to foreign countries. It is also known as 'Re-export trade'. E.g. Indian diamond merchants in Surat import uncut diamonds from South Africa, they cut and polish the diamonds in their units in India and re-export them to the International Diamond Market in Amsterdam.

42) a)

(a) Analytical Industry :

Analytical Industries analyses and separates different elements from the same materials, as in the case of oil refinery.

(b) Genetic Industry:

- (1) These Industries remain engaged in breeding plants and animals for their use in further production.
- (2) 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.

d) Extractive Industries:

These industries extract or draw out products from natural sources. Extractive industries supply some raw materials that are mostly products of geographical and natural environment.

(OR)

b)

Advantages of warehousing functions:

1. It safeguards the stock of the merchants who do not have storing place.
2. Warehouses reduce distribution cost of the traders by storing the goods in bulk and allow the trader to take the goods in small lots to his shop.
3. It helps in selection of channel of distribution. The producer will prefer whether to appoint a wholesaler or retailer.
4. It assists in maintaining the continuous sales and avoids the possibilities of "out of stock" position.
5. It creates employment opportunities for both skilled and unskilled workers, to improve their standard of living.
6. It ensures price stabilization by supplying goods as and when demanded.
7. In case of damage to the goods, warehouse keeper compensates the loss caused to the owner of the goods.
8. Warehousing is needed for making the goods suitable for sale.
9. It widens the market for the goods.
10. Warehouse provides, goods are packed and labelled again at the time of inspection by prospective buyers.

43) a)

Sl.No	Basis	Domestic Business	International Business
1	Meaning	This represents a document acknowledging the receipt of goods on board for carrying them over to specified port of destination	It refers to an agreement to hire a whole or major part of ship when the goods take exported is heavy.
2	Transferable	It can be transferred to third party by endorsement and delivery	It cannot be transferred to their party
3	Loan	Loan can be raised against it	Loan cannot be raised it.
4	Crew	Master and crew remain the agent of the ship owner	Master and crew become the agent of exporter for a temporary period.
5	Lease	It is not a lease of ship	It is a lease of ship.

(OR)

b)

Sl.No	Basis	Direct Taxes	Indirect Taxes
1	Meaning	If a tax is levied on the income or wealth of a person is paid by that person (or his office) directly to the Government is called a direct tax.	If tax is levied on the goods or services of a person is collected from the buyers by another person (seller) and paid by him to the government is called indirect tax.
2	Incidence and impact	Falls on the same person. Imposed on the income of a person and paid by the same person.	Falls on different persons. Imposed on the sellers but collected from the consumers and paid by seller.
3	Burden	More income attracts more tax. Tax burden in progressive	Rate of tax is flat on all individuals. Therefore more income individuals pay less and lesser portion of their income as tax. The tax burden is regressive.
4	Evasion	Tax evasion is possible	Tax evasion is more difficult
5	Inflation	Direct tax helps in reducing inflation	Indirect tax contributes to inflation
6	Shiftability	cannot be shifted to others	can be shifted to others.
7	Examples	Income Tax, Wealth Tax, Capital gain Tax, Perquisites Tax,	GST, Excise Duty, Customs Duty.

44) a)

Contents of Partnership Deed:

a) Name:

Name of the Firm.

b) Nature of Business:

Nature of the proposed business to, be carried on by the partners.

c) Duration of Partnership:

Duration of the partnership business whether it is to be run for a fixed period of time or whether it is to be dissolved after completing a particular venture.

d) Capital Contribution:

The capital is to be contributed by the partners. It must be remembered that capital contribution is not necessary to become a partner for, one who contribute his organising power, business acumen, managerial skill, etc., instead of capital.

e) Withdrawal from the Firm:

The amount that can be withdrawn from the firm by each partner

f) Profit/Loss Sharing:

The ratio in which the profits or losses are to be shared. If the profit sharing ratio is not specified in the deed, all the partners must share the profits and bear the losses equally.

g) Interest on Capital:

Whether any interest is to be allowed on capital and if so, the rate of interest. If the deed is silent on interest on capital, the rules for interest on capital in partnership act will take effect.

h) Rate of Interest on Drawing:

Whether any interest is to be allowed on drawing, the rate of interest is to be specified.

i) Loan from Partners:

Whether loans can be accepted from the partners and if so the rate of interest payable there on.

j) Account Keeping:

Maintenance of accounts and audit.

k) Salary and Commission to Partners:

Amount of salary or commission payable to partners for their services. (Unless this is specifically provided, no partner is entitled to any salary).

l) Retirement:

Matters relating to retirement of a partner. The arrangement to be made for paying out the amount due to a retired or deceased partner must also be stated.

m) Goodwill Valuation:

Method of valuing goodwill on the admission, death or retirement of a partner.

n) Distribution of Responsibility:

The work that is entrusted to each partner is better stated in the deed itself.

o) Dissolution Procedure:

Procedure for dissolution of the firm and the mode of settlement of accounts thereafter.

p) Arbitration of Dispute:

Arbitration in case of disputes among partners. The deed should provide the method for settling disputes or difference of opinion, This clause will avoid costly litigations.

(OR)

b)

a. Maintenance of book debts :

A factor takes the responsibility of maintaining the accounts of debtors of a business institution

b. Credit coverage :

The factor accepts the risk burden of loss of bad debts leaving the seller to concentrate on his core business.

c. Cash advances:

Around eighty percent of the total amount of accounts receivables is paid as advance cash to the client

d. Collection service :

Issuing reminders, receiving part payments, collection of cheques form part of the factoring service.

e. Advice to clients :

From the past history of debtors, the factor is able to provide advices regarding the credit worthiness of customers, perception of customers about the products of the client, etc.

45) a)

1. Amount of shares, capital, value and type of shares
2. Rights of each class of shareholders regarding voting, dividend, return of capital
3. Rules regarding issue of shares and debentures
4. Procedures as well as regulations in respect of making calls on shares
5. Manner of transfer of shares
6. Declaration of dividends
7. Borrowing powers of the company
8. Rules regarding the appointment, remuneration, removal of directors
9. Procedure for conducting proxy, quorum, meetings etc.,
10. Procedures concerning keeping of books and audits
11. Seal of the company
12. Procedures regarding the winding up of the company.

(OR)

b)

Objectives of Self Help Groups:

1. Focusing on empowerment of woman.
2. Saving people from the clutches of money lenders
3. Building capacity of women and to enable them to participate in generating activities.
4. Creating the habit of saving in the minds of the people who are economically backward.
5. Promoting entrepreneurship skills among women.
6. Creating awareness about the importance of credit circle or revolving credit and the payment of the circle.
7. Elevating the economic standard of the member's families.
8. Developing skills and facilitating credit linkages for eventual economic empowerment.
9. Promoting awareness among the members about the solution for their Economic problems.
10. Identifying the common interest of the group members and carrying out their operations in the most efficient and economic way.
11. Enabling the members to overcome all social and economic barriers.
12. Promising and ensuring human rights to women at all stages of their life cycle.

46) a)

Sl.No	Basic for comparison	GDR(Global Depository Receipts)	ADR(American Depository Receipts)
1.	Denomination	It is denominated in 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 Resident of US
3.	Listed in	It is listed in Non-US stock exchange such as London stock Exchange or Luxemburg Stock Exchange	It is listed in American Stock Exchange
4.	Approval	GDR issues does not require Foreign regulatory clearances	ADR Issues require approval from Exchange commission (SEC) of US
5.	Mode of Expression	GDRs are normally co-related to equity shares of the issuing company expressed in whole numbers	In many cases ADRs co-related to equity shares of the company are expressed as a fraction.
6.	Negotiation	All over the world	In America only.

(OR)

b)

S.No	Basis	Domestic Business	International Business
1	Meaning	Domestic business refers to business transactions involved within the geographical boundaries of a country	International business refers to the business transactions involved ill beyond the boundaries of a country
2	Participants in business	People/organisations within the country participate in business activities	People/organisations outside the country participate in business activities
3	Mobility of factor of production	The factors of production i.e. labour capital, technology, material, etc. move freely within the boundaries of the country	The factors of production i.e. labour, capital technology, material, etc. move across the boundaries of the country.
4	Nature of consumers	Consumers are relatively homogenous in nature in terms of culture, behaviour, taste, preferences, legal system, customs and practices, etc	Consumers are relatively hetrogenous in nature in terms of culture, behaviour, taste, preferences, legal system, customs and practices, etc. prevailing across the countries
5	Busines systems	Domestic business is governed by the rules, laws, policies, taxation system,etc. of a single country.	International business is governed by rules laws and policies, tariffs and quotas, etc. of multiple countries
6	Currency used	Domestic business transactions are settled by local currency of a country	International business transactions are settled by foreign currencies.
7	Mode of transport	The goods involved in domestic business are mainly transported by roadways and railways.	The goods involved in international business is mainly transported by water and air ways
8	Risk exposure	The risks involved in domestic business are relatively less	The risk involved in international business are more due to distance, difference in socioeconomic and political conditions, change in foreign exchange values, etc.
9	Scope of market	The scope of market is limited to national boundaries of a country.	The scope of international business is very wide and extends beyond the frontiers of a country
10	Payment of Excise duty	Payment of excise duty involves simple procedures and it is relatively low in domestic trade.	The process of payment of excise is complicated in international business and the rate of excise duty is relatively high

47) a)

Advantages of railway transport:

1. Railways are well suited for carrying heavy and bulky goods over long distances.
2. It can provide long distance travel throughout the day and night with unbroken Services.
3. It can provide better production and safety to the goods than motor transport.
4. The goods generally carried in closed wagons and are not exposed to sun, rain, etc.
5. Though initial investment is large, in the long run the operating expenses will be very low in railways and it will prove a cheaper mode of transport.
6. It requires less time than motor transport for carrying goods over long distance with greater speed.
7. It has regular schedule of timing and is available throughout the year.
8. It provides unaffected services whether rainy or shiny weather conditions.

(OR)

b)

Principles of Insurance:

Insurance concept was started to distribute risk among group or people. Co-operation is the basic principle behind every insurance contract. The following are the important principles of insurance.

a) Utmost Good Faith:

1. According to this principle, both insurer and insured should enter into contract in good faith.
2. Insured should provide all the information that impacts the subject matter.
3. 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.

b) Insurable Interest:

1. The insured must have an insurable interest in the subject matter of insurance.
2. Insurable interest means some pecuniary interest in the subject matter of the insurance contract.
3. 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.
4. Example, a businessman has insurable interest in his stock of goods.

c) Indemnity :

1. Indemnity means security or compensation against loss or damages.
2. In insurance, the insured would be compensated with the amount equivalent to the actual loss and not the amount exceeding the loss.
3. "The principle of indemnity is not applicable to life insurance because one cannot estimate the loss due to the death of a person".

d) Causa Proxima:

1. The word 'Causa proxima' means 'nearest cause'.
2. According to this principle, when the loss is the result of two or more causes, the proximate cause, i.e. the direct.
3. The direct, the most dominant and most effective cause of loss should be taken into consideration.
4. The insurance company is not liable for the remote cause.

e) Contribution:

1. The same subject matter may be insured with more than one insurer then it is known as 'Double Insurance'.
2. 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.
3. Example: A businessman gets his factory insured against fire for Rs 10,00,000 with insurer A and Rs. 5,00,000 with insurer B.
4. Due to fire, a loss of Rs 1,50,000 occurred.
5. Then, insurers A and B will contribute the loss in the ratio of 2:1.
6. A will pay Rs. 1,00,000 and B will pay Rs. 50,000.

f) Subrogation:

1. Subrogation means 'stepping the shoes on others'.
2. According to this principle, once the claim of the insured has been settled, the ownership right of the subject matter of insurance passes on to the insurer.
3. Example Mr. B gets his motor car insured. Some of its parts got damaged in a road accident.
4. He gets the insurance claim and gets the damaged parts replaced with new ones.
5. In this case the damaged parts will be taken by the insurance company.
6. The insured has no right over the damaged parts since they had already got compensation for the damaged parts.

g) Mitigation:

1. In case of a mishap, the insured must take off all possible steps to reduce or mitigate the loss or damage to the subject matter of insurance.
2. This principle ensures that the insured does not become negligent about the safety of the subject matter after taking the insurance policy.

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