

+1 Com Hly Madurai Dist. Dec - 2022

Choose the Best

1. (a) Transportation
2. (a) Industry
3. (a) Agreement
4. (a) England
5. (d) RBI
6. (d) All of the above
7. (c) Distribution
8. (b) Life insurance
9. (b) Cost reduction
10. (d) United states of America
11. (a) Wholesaler
12. (c) Two
13. (b) Export Promotion Council
14. (c) Both be absolute and unqualified
15. (c) Agent
16. (b) Direct Tax
17. (b) Indirect Tax
18. (b) ii abd iv
19. (b) iv iii ii i
20. (a) A and R are correct and R is the correct explanation for A

Answer Any 7 Questions $7 \times 2 = 14$

21. Barter system:

Goods were exchanged for goods prior to invention of money. It is called barter system.

22. Sleeping Partner or Dormant Partner

Such a partner contributes capital and shares in the profits or losses of the firm but does not take part in the management of the business.

23. Bajaj, TVS, Hero, TATA

24. Debit Cards ATM card is also called debit card. This card is more useful in purchase of goods and services anywhere in India.

25. Logistics Logistics can be viewed as a logical extension of transportation and related areas to achieve an efficient and effective goods distribution system.

26. Global Depository Receipt (GDR)

GDR 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.

27. Chain Stores or Multiple Shops

A number of identical retail shops with similar appearance normally deals in standardised and branded consumer products established in different localities owned and operated by

manufacturers or intermediaries are called as Chain stores or Multiple shops.

28. Legal Representative – legal representative can demand Exception performance. Contrary intention appears from the contract. Contract is of a personal nature.

29. Income Tax Income tax is a direct tax under which tax is calculated on the income, gains or profits earned by a person such as individuals and other artificial entities (a partnership firm, company, etc.)

30. OVER DRAFT FACILITIES

Answer Any 7 Questions: $7 \times 3 = 21$

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

32. Unlimited Liability The creditors have the right to recover their dues even from the personal property of the proprietor in case the business assets are not sufficient to pay their debts.

33. Electronic Banking This reduces cost and time and makes banking service convenient to the customers. It is operated through internet. This service is a substitute for drafts, cheques and other paper based transfer of funds.

34. Types of Social Responsibility:

1. Economic Responsibility
2. Legal Responsibility
3. Ethical Responsibility
4. Discretionary Responsibility

35. Characteristics of Self Help Groups

1. The motto of every group member should be "saving first – credit latter"
2. Self Help Group is homogeneous in terms of economic status.
3. The ideal size of a Self-Help Group ranges between 10 and 20 members.
4. The groups need not be registered.
5. Groups are non-political, voluntary associations and follow a democratic culture.
6. Each group should have only one member from one single family.

36. 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'.

37. Agreement 2(e) Every promise and set of promises forming consideration for each other is an agreement. In short, Agreement = Offer + Acceptance.

38. Ports : Tondi, Korkai, Puhar and Muziri

39. Objectives of GST

1. The foremost objective of GST is to create a common market with uniform tax rate in India. (One Nation, One Tax, One Market)
2. To eliminate the cascading effect of taxes, GST allows set-off of prior taxes for the same transactions as input tax credit.
3. To boost Indian exports, the GST already collected on the inputs will be refunded and thus there will be no tax on all exports.
4. To increase the tax base by bringing more number of tax payers and increase tax revenue.
5. To simplify tax return procedures through common forms and avoidance of visiting tax departments.
6. To provide online facilities for payment of taxes and submission of forms. Goods and Services Network (GSTN), a robust Information Technology system has been created for the operation of GST.

40.E-COMMERCE, Eg: AMAZON, FLIPKART

Answer All : 7X5=35

41.a 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 especially i.e., double coincidence of wants
3. Buyer and seller should meet personally to effect the exchange.

41.b.The following are the advantages of a Sole trader :

i. Easy Formation

No legal formalities are required to initiate a sole trading concern. Any person capable of entering into a contract can start it, provided he has the necessary resources for it.

ii. Incentive to Work hard

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

iii. Small Capital

Small capital is an important as well as specific advantage of sole Proprietorship. 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. Thus he can cultivate personal relationship with the customers.

vi. Flexibility

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

42.a. Advantages of MNC

i. Low Cost Labour

MNC set up their facilities in low cost countries and produce goods/service at lower cost. It gains cost advantage and sells its products and services of good quality at low cost. This is not available to smaller companies which operate at regional level.

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. This results in an increase in the National Income 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. Technical Development MNCs carry the advantages of technical development to host countries. In fact, MNCs are a vehicle for transference of technical development from one country to another. Because of MNCs poor host countries also begin to develop technically.

vi. Managerial Development MNCs employ latest management techniques. People employed by MNCs do a lot of research in management. In a way, they help to professionalize management along latest lines of management theory and practice. This leads to managerial development in host countries.

vii. End of Local Monopolies The entry of MNCs leads to competition in the host countries. Local monopolies of host countries either start improving their products or reduce their prices. Thus MNCs put an end to exploitative trade practices of local monopolists. As a matter of fact, MNCs compel domestic companies to improve their efficiency and quality. In India, many Indian companies acquired ISO-9000 quality certificates, due to fear of competition posed by MNCs.

viii. 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.

ix. Promotion of international brotherhood and culture MNCs integrate economies of various nations with the world economy. Through their international dealings, MNCs promote international brotherhood and culture; and pave way for world peace and prosperity.

42.b.PERSONAL INVESTMENT AVENUES :

1. Public Provident Fund (PPF)

It is the safest long-term investment option for the investors in India. It is totally taxfree. PPF account can be opened in bank or post office. The money deposited cannot be withdrawn before 15 years and an investor can earn compound interest from this account. However the investor can extend the time frame for the next five years if the investor does not opt to withdraw the amount matured for payment at maturity date. PPF investor can take loan against PPF account when he/she experiences financial difficulties.

2. Mutual Funds An individual investor who wants to invest in equities and bond with a balance of risk and return generally can invest in mutual funds. Nowadays people invest in stock markets through a mutual

fund. Systematic investment plan is one of the best investment options in India.

3. Direct Equity or Share Purchase An individual can opt for investment in shares. But he has to analyse the market price of various shares traded in stock exchange, reputation of the company, consistency in the payment of dividend, the nature of the project undertaken by the company, growth prospects of industry in which a company is operating, before investing in shares. If the investment is made for a long time, it may yield good return. However there is equally risky to invest in shares as there is no guaranteed return therein.

4. Real Estate Investment Real estate is one of the fastest growing sectors in India. Buying a flat or plot is supposed to be the best decision amongst the investment options. The value of the real asset may increase substantially depending upon the area of location and other support facilities available therein. However an investor in real estate has to be cautious and circumspect in verifying the genuineness of the title deeds before investing in real estate assets and also the reputation of seller of real assets.

5. Investing in Metals Investment in metals like gold, silver and platinum is one of the oldest and evergreen investment products. The values of the metals rise slowly and steadily in line with the dynamic market conditions. But investors can liquidate the metals immediately in the market without any loss. Besides an investor can opt for investment format, like gold deposit scheme, gold ETF (exchangetraded fund), Gold Bar, Gold mutual fund etc., to get benefit in the short period of time.

43.a. PRINCIPLES OF INSURANCE :

1. 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. Both the insurer and the insured should display good faith towards each other in regard to the contract.

2. Insurable Interest The insured must have an insurable interest in the subject matter of

insurance. 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.

3. Indemnity Indemnity means security or compensation against loss or damages. In insurance, the insured would be compensated with the amount equivalent to the actual loss and not the amount exceeding the loss. This principle ensures that the insured does not make any profit out of the insurance. This principle of indemnity is applicable to property insurance alone.

4. 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. The insurance company is not liable for the remote causes.

5. 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. It may be noted that in case of multiple insurance, the insured can claim the loss from any of the insurers subject to the condition that the insured cannot recover more than the amount of actual loss from all taken together.

6. Subrogation Subrogation means 'stepping the shoes on others'. 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. Otherwise, the insured will realize more than the actual loss which goes against the principle of Indemnity. This is because the insured cannot make any profit by selling the damaged property.

7. Mitigation 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. This principle ensures that the insured does not become negligent

about the safety of the subject matter after taking the insurance policy. Insured is expected to act in a manner as if the subject matter has been insured. If appropriate steps are not taken to save the property then the insured may not get the full compensation from the insurer.

43.b. Differences between Direct Taxes and Indirect Taxes

Direct Taxes	Indirect Taxes
person (or his office) directly to the Government, it is called 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 it is called indirect tax.
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 sellers.
Tax evasion is possible.	Tax evasion is more difficult
Direct tax helps in reducing the inflation.	Indirect tax contributes to inflation.
Cannot be shifted to others	Can be shifted to others
Income Tax, Wealth Tax	GST, Excise Duty.

44.a. The following are the features of a Sole Trader.

i. Ownership by one man This is owned by single person. The sole trader contributes the required capital. He is not only the owner of the business but also manager of the entire affairs.

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 A sole proprietor concern is free from Government regulations. 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.

44.b. Organisational Structure of RBI

The head office of the RBI is situated in Mumbai. This central office has 33 departments in 2017. It has four zonal offices in Mumbai, Delhi, Calcutta and Chennai functioning under local boards with deputy governors as their heads. It also has 19 regional offices and 11 sub-offices (2017). The RBI is governed by a Central Board of Directors. The 21 member board is appointed by the Government of India. It consists of;

- a. one governor and four deputy governors appointed for a period of four years,
- b. ten directors from various fields
- c. two Government officials
- d. four directors - one each from local boards.

45.a. Types of Retailers

Itinerant Traders

- a. peddlers and hawkers
- b. street traders
- c. market traders
- d. cheap jacks traders

Fixed shop small retailers

- a. Street stalls
- b. general stores, c. single line stores
- d. speciality stores
- e. second shops

Fixed shop large retailers

- a. departmental stores
- b. chain stores
- c. consumer cooperative stores
- d. supermarkets
- e. hire purchase and installment
- f. mail order houses
- g. automatic vending machines
- h. telemarketing
- i. Online shopping

45.b. Features of Balance of Payments

The main features of balance of payments are as follows.

1. It is a systematic record of all economic transactions between one country and

certain other countries of the world

2. It is prepared for a period of three months or twelve months, i.e., usually 12 months
3. It contains all receipts and payments both visible and invisible
4. It includes all economic transactions both recorded on current account and capital account
5. Economic transactions are recorded according to double entry principle of book keeping. Accordingly receipts are recorded on credit side and payments are recorded on debit side
6. It indicates a country's position in foreign trade
7. BOP shows a favourable or surplus position when the total receipts from foreign countries exceed the total payments to foreign countries. When the receipts from foreign countries are less than the payments to foreign countries, BOP is said to be unfavorable or in deficit

46.a. Distinction between Contract & Agreement

Contract	Agreement
A contract is an agreement enforceable by law.	An Agreement is every promise or every set of promises forming consideration
Every contract is enforceable	Every promise is not enforceable.
A contract includes an agreement.	An agreement does not include a contract
Only legal agreements are called contracts.	An agreement may be both legal and illegal.
Every contract contains a legal obligation. for every	It is not necessary agreement to have legal obligation

46.b. Hindrance of Business

1. Hindrance of person Manufacturers do not know the place and face of the consumers. It is the retailer who knows the taste, preference and location of the consumers. The chain of middlemen consisting of wholesalers, agents and retailers establish the link between the producers and consumers.

2. Hindrance of place Production takes place in one centre and consumers are

spread throughout the country and world. Rail, air, sea and land transports bring the products to the place of consumer.

Hindrance of time Consumers want products whenever they have money, time and willingness to buy. Goods are produced in anticipation of such demands. They are stored in warehouses in different regional centres so that they can be distributed at the right time to the consumers.

4. Hindrance of risk of loss Fire, theft, floods and accidents may bring huge loss to the business. Insurance companies serve to cover the risk of such losses.

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

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

47.a. Contents

1. Name Clause The name clause requires to state the legal and recognized name of the company. The company name is allowed to be registered if it does not bear any similarities with the name of an existing company. companies only.

2. Situation Clause The registered office clause requires to show the physical location of the registered office of the company. It is required to keep all the company registers in this office. The registered office should be established prior to commencing business activities.

3. Objective Clause The objective clause requires to summarize the main objectives for establishing the company with reference to the requirements for shareholding and use of financial resources. It is required to state the ancillary objectives; that is, those objectives that are required to facilitate the achievement of the main objectives. The objectives should be free of any provisions or declarations that contravene laws or public good.

4. Liability Clause The liability clause requires to state the extent to which shareholders of the company are liable to the debt obligations of the company in the event

of the company dissolving. There are companies limited by shares and limited by guarantee.

5. Capital Clause The capital clause requires to state the company's authorized share capital, the different categories of shares and the nominal value (the minimum value per share) of the shares. It is also required to list the company's assets under this clause.

6. Association Clause The association clause confirms that shareholders bound by the MOA are willingly associating and forming a company. It is required seven members to sign an MOA for a public company and not less than two people for a MOA of a private company. The signing must be done in the presence of witness who must also append his signature.

47.b. Yes, Misuse of funds

If the members of the managing committee are corrupt they can swindle the funds of the co-operative society. Many cooperative societies have faced financial troubles and closed down because of corruption and misuse of funds.