

UNIT I FUNDAMENTALS OF BUSINESS**CHAPTER 1 HISTORICAL BACKGROUND OF COMMERCE IN THE SUB-CONTINENT****I. Choose the Correct Answer**

- In Pandiyas Dynasty the place where the goods are sold is _____**
 a) Angadi b) Market c) Nalangadi d) Allangadi
- Hindrance of place is removed by _____**
 a) Transport b) Warehouse c) Salesman d) Insurance
- Who wrote "Arthasasthra" ?**
 a) Kautilya b) Kambar c) Thiruvalluvar d) Elangovadigal
- Trade and Commerce was common to _____ Dynasty.**
 a) Pallava b) Chola c) Panidya d) Chera
- _____ 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

II. Very Short Answer Questions:

- What is meant by Barter System? (MAR-2019, JUNE-2019, MAR-2020, MAY-2023)**
 ✖ Goods were exchanged for goods prior to invention of money.
- What is meant by Nallangadi? (OCT-2020, MAY-2022)**
 ✖ Day Market was called as Nalangadi
 ✖ The place where the goods were sold was called 'Angadi'.
- What is meant by Allangadi?**
 ✖ Night Market was called as Allangadi
 ✖ The place where the goods were sold was called 'Angadi'.

III. Short Answer Questions

- Explain the meaning of the term "Vanigam".**
 ✖ Accordingly, commerce may be defined as "the goods and services between members of industrial world".
 ✖ It comprises all forms of trade, wholesale, retail, import, export and entrepreneurial services which aid and assist the trading activities such as banking, transport, warehousing, insurance, and advertising.
- State the meaning of Maruvurappakkam and Pattinappakkam. (JUNE 2023)**
 ✖ Big cities like Poompuhar had the 'Maruvurappakkam' (inland town) and 'Pattinappakkam' (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.
- What are the ports developed by Pandiya kingdom? (SEP-2021)**
 ✖ Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with activities related to imports and exports.
 ✖ Boats like 'Padagu' 'Thimil', 'Thoni', 'Ambu', 'Odampunai' etc... were used to cross rivers for domestic trade.

IV. Long Answer Questions

- What are the hindrances of Commerce? (MAR-2018, MAR-2019, SEP-2021, JUNE 2023)**

- Hindrance of Person**
- Hindrance of place**
- Hindrance of Risk of Loss**
- Hindrance of Knowledge**
- Hindrance of Finance**

1. Hindrance of Person:

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

2. Hindrance of Place:

- ✖ Rail, air, sea and land transports bring the products to the place of consumer.

3. 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.

4. Hindrance of Knowledge:

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

5. Hindrance of Finance:

- ✖ Banks and other financial institutions provide funds and help in transfer of funds to enable the functioning of business smoothly.

2. State the demerits of barter system. (OCT-2020,AUG-2022) ✎

1. Lack of double coincidence of Wants
2. Non – existence of common measure of value
3. Lack of direct contact between producer and consumers
4. Lack of surplus stock

1. Lack of double coincidence of Wants:

- ✎ Unless two persons who have surplus have the demand for the goods possessed by each other, barter could not materialize.

2. Non – existence of common measure of value:

- ✎ It was difficult to compare the values of all articles in the absence of an acceptable medium of exchange.

3. Lack of direct contact between producer and consumers:

- ✎ It was not possible for buyers and sellers to meet face to face in many contexts for exchanging the commodities for commodities.

4. Lack of surplus stock:

- ✎ If the buyers and sellers do not have surplus then no barter was possible.

3. Briefly explain the coastal trade in ancient Tamilnadu. (MAY-2022) ✎

- ✎ 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 foodstuff.
- ✎ They were engaged in different kinds of fishing pearls, and conches, and produced salts and built ships.
- ✎ Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with activities related to imports and exports.
- ✎ 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.

UNIT I FUNDAMENTALS OF BUSINESS

CHAPTER 2 OBJECTIVES OF BUSINESS

I. Choose the Correct Answer**1. The Primary objective of a business is**

- a. Making Profit b. Not Making Profit c. Special skill d. None of the above

2. Occupation of a Doctor is

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

3. The following does not characterise business activity?

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

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

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

II. Very Short Answer Questions**1. What is meant by Economic Activities?**

- ✎ Economic activity is an activity performed by a human being to meet his/her needs and wants or may be for personal satisfaction.

2. What do you mean by Business?(AUG-2022) ✎

- ✎ According to **James Stephenson** business refers to "Economic activities performed for earning profits."

3. What do you mean by Employment?(JUNE 2023)

- ✎ It refers to the occupation in which people work for others and get remuneration in the form of wages or salaries.

- ✎ **e.g.,** Managers, Clerks, Bank officials, Factory workers etc.,

III. Short Answer Questions**1. What do you mean by human activities? Explain.(MAR-2023) ✎**

- ✎ 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.**

2. Write a short notes on: (JUNE-2019,OCT-2020,MAY-2022)**a) Business:**

- ♣ 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.

b) Profession:

- ♣ Professions are those occupations which involve rendering of personal services of a special and expert nature.
- ♣ A profession is something which is more than a job.

3. Explain the classification of 'Business'.

- ♣ Business refers to any human activity undertaken on a regular basis with the object to earn profits through production, distribution, sale or purchase of goods and services.
- ♣ Business activities are connected with raising, producing or processing of goods. Industry creates form utility to goods by bringing materials into the form which is useful for intermediate consumption or final consumption by consumers.

IV. Long Answer Questions**1. Explain the characteristics of Business. (any 5)(AUG-2022)****i. Production or Procurement of Goods****ii. Sale, Transfer or Exchange****iii. Regularity of Dealings****iv. Profit Motive****v. Element of Risk****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.

iii. Regularity of Dealings:

- ♣ The buying and selling must be recurrent to constitute business.

iv. Profit Motive:

- ♣ An important feature of business is profit motive.
- ♣ It is, in fact, the attraction of profit which spurs people to do business.

v. Element of Risk:

- ♣ The profit that is expected in a business is always uncertain because it depends upon a number of factors beyond the control of the businessman.

2. Compare business with profession and employment. (any 5)(MAY-2022)

S.No	Transactions	Business	Profession	Employment
1	Qualifications	No qualification	Qualification must	Minimum qualification
2	Reward	Earning profits	Professional fee	Earning wages or Salary
3	Capital	Small capital	Limited capital	No capital required
4	Risk	Uncertain	Certain	Fixed
5	Transfer of Interest	Possible	Not possible	Not transferable

3. Discuss the objectives of business.(MAY-2020)**A. Economic Objectives****B. Social Objectives****C. Organizational Objectives****D. Human Objectives****E. National Objectives****A. Economic Objectives:**

- ♣ It refers to the objective of earning profit.
- ♣ It includes creation of customers, regular innovations and best possible use of available resources.

B. Social Objectives:

- ♣ Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society.

C. Organizational Objectives:

- ♣ It denotes to accomplish during the course of its existence in the economy like expansion and modernization, supply of quality goods to consumers, customers' satisfaction, etc.

D. Human Objectives:

- ♣ It aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training.

E. National Objectives:

- ♣ Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business.
- ♣ To provide employment opportunity to its citizen and earn revenue.

UNIT I FUNDAMENTALS OF BUSINESS

CHAPTER 3 CLASSIFICATION OF BUSINESS ACTIVITIES

I. Choose the Correct Answer

- The industries engaged in extraction of iron ore are known as**
 - Construction Industries
 - Manufacturing Industries
 - Extraction Industries**
 - Genetic Industries
- Production which involves several stages for manufacturing finished products is known as**
 - Analytical Industry
 - Synthetic Industry
 - Processing Industry**
 - None of the above
- Normally high level risk involved in**
 - Industry**
 - Commerce
 - Trade
 - All of the above

II. Very Short Answer Questions:

- 1. Define Commerce.(AUG-2022)**
 - ♣ 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 you mean by Industry?**
 - ♣ Industry refers to economic activities, which are connected with conversion of resources into useful goods.
- 3. What is Trade?(MAY-2022)**
 - ♣ The term 'Trade' is used to denote buying and selling.

III. Short Answer Questions:

- 1. What do you mean by tertiary industries?(MAY-2022)**
 - ♣ They do not produce goods.
 - ♣ These industries produce utility services and sell them at a profit.
- 2. Write a short note on Transportation.**
 - ♣ Selling all the goods produced at or near the production place is not possible.
 - ♣ Hence, goods are to be sent to different places where they are demanded.
 - ♣ The medium which moves men and materials from one place to another is called transport.

IV. Long Answer Questions:

- 1. Compare Industry, Commerce and Trade. (any 5)(MAR-2023)**

S.No	Transactions	Industry	Commerce	Trade
1	Meaning	Extraction, reproduction, conversion, processing and construction of useful products	Activities involving distribution of goods and services	Purchase and sale of goods and services.
2	Scope	Semi – finished products into finished goods.	Comprises trade auxiliaries to trade	Comprises exchange of goods and service
3	Capital	Large Capital	Less capital	Small Capital
4	Risk	High Risk	Less Risk	Less Risk
5	Side	It represents Supply Side	It represents Demand Side	It represents both supply and Demand

- 2. Write a short notes on: (MAR-2019)**

a. Analytical industry:

- ♣ This analyses and separates different elements from the same materials, as in the case of oil refinery.

b. Genetic industry:

- ♠ 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.

c. Construction industry

- These industries are involved in the construction of building, dams, bridges, roads, as well as tunnels and canals.

UNIT II FORMS OF BUSINESS ORGANISATION

CHAPTER 4 SOLE PROPRIETORSHIP

I. Choose the Correct Answer**1. Which is the oldest form of Business organisation?**

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

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

3. A major disadvantage of sole proprietor-ship is _____

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

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

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

II. Very Short Answer Questions**1. Who is called a Sole Trading business?(SEP-2021,MAR-2023)**

- Sole Proprietorship is a form of business organization in which an individual introduces his own capital, uses his own skill and intelligence in the management of its affairs and is solely responsible for the result of its operations.

2. What are the Non-Corporate enterprises?(OCT-2020)

- The ownership and business are not separated.
- i.e., Sole Proprietorship, a Partnership, a Joint Hindu Family Business**

3. What are the Corporate enterprises?

- The ownership is separated from that of its management and the owners cannot take direct control over the business.
- i.e., Corporate enterprises are:**
 - i) Government - Public Undertaking Public Utilities
 - ii) Private - Joint Stock Companies
 - iii) Co-operatives.

III. Short Answer Questions**1. How is it possible to maintain secrecy in Sole Proprietorship?**

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

2. What is unlimited liability?(MAR-2019,SEP-2021,JUNE 2023)

- The creditors have the right to recover their dues even from the personal property, in case the business assets are not sufficient to pay their debts.

3. Give some examples of Sole trading business.

- i) **Small amount of capital** - Sweet Shops, Bakery Shops, Petty Shop
- ii) **Quick decision** - Share - Brokers, Doctors
- iii) **Limited Risk** - Automobile Repair Shops, Small Retail Store
- iv) **Personal Attention to individual** - Beauty Parlors, Tailoring Shops, etc.,
- v) **Based on local seasonal** - Retail Trade, Laundry, Fruit Seller, etc

IV. Long Answer Questions**1. Explain the characteristics of Sole trading business. (any 5)(JUNE-2019,MAR-2020,OCT-2020,MAY-2022)**

- i. **Ownership by One Man**
- ii. **Freedom of Work And Quick Decision**
- iii. **Unlimited Liability**
- iv. **No Separate Entity**
- v. **Maintenance of Secrecy**

i. Ownership by one man:

- This is owned by single person.
- 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. No Separate Entity:

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

v. 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)(MAR-2020,SEP-2021)

- | | |
|-------------|---|
| I. | Easy Formation |
| II. | Incentive To Work Hard |
| III. | Small Capital |
| IV. | Personal Contact With The Customer |
| V. | Flexibility |

i. Easy Formation:

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

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:

- ◆ Sole proprietor can start business with small capital.

iv. Personal Contact with the Customers:

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

v. Flexibility:

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

3. What are the disadvantages of Sole trading business?(AUG-2022,JUNE 2023)

- | | |
|-------------|---------------------------------|
| I. | Limited Capital |
| II. | Limited Managerial Skill |
| III. | Unlimited Liability |
| IV. | Lack of Specialisation |
| V. | Hasty Decisions |

i. Limited Capital:

- ◆ Since the capital is contributed by one individual only, business operations have necessarily to be on a limited scale.

ii. Limited Managerial Skill:

- ◆ Single person's intelligence and experience may not help him beyond a certain stage.

iii. 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.

iv. Lack of Specialisation:

- ◆ Since the business unit is small and the financial resources are limited, experts in different fields cannot be employed to secure maximum advantages.

v. Hasty Decisions:

- ◆ Sole proprietor is more likely to take hasty decision as he need not consult anybody else.

UNIT II FORMS OF BUSINESS ORGANISATION
CHAPTER 5 HINDU UNDIVIDED FAMILY AND PARTNERSHIP

I. Choose the Correct Answer

- The firm of Hindu Undivided Family is managed by whom?**
 a. Owner **b. Karta** c. Manager d. Partner
- In the firm of Hindu Undivided Family, how one gets the membership?**
 a. By Agreement **b. By Birth**
 c. By Investing Capital d. By Managing
- The members in the joint hindu family are called _____**
 a. Karta **b. coparceners**
 c. generations d. partners
- '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
- A partnership is formed by _____**
 a. **agreement** b. relationship among persons
 c. the direction of government d. Friendship

II. Very Short Answer Questions

- Who is called KARTA?(MAR-2020,AUG-2022,JUNE 2023)** ✎
 ☉ All the affairs of a Joint Hindu Family are controlled and managed by one person who is known as 'Karta' or 'Manager'.
- What are the two schools of Hindu law?(MAR-2019,SEP-2021)** ✎
 ☉ Dayabhaga ☉ Mitakshara
- Who is called a Partner?(MAY-2022)** ✎
 ☉ The persons who enter into partnership are individually called 'Partners' and collectively known as 'Firm'.
- Who is a Sleeping partner?(JUNE-2019)** ✎
 ☉ 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.
 ☉ He may not be known as a partner to the outsiders; yet he is liable to third parties to an unlimited extent as any other partner.
- How many types of Dissolution?**
 ☉ Dissolution may be of two types.
 ☉ They are: (a) Dissolution of Firm, (b) Dissolution of Partnership.

III. Short Answer Questions

- Write any three features of HUF.(JUNE-2019,SEP-2021,MAR-2023)** ✎
 i. **Governed by Hindu Law**
 ☉ The business of the Joint Hindu Family is controlled and managed under the Hindu law.
 ii. **Membership by Birth**
 ☉ The membership of the family can be acquired only by birth.
 ☉ Membership requires no consent or agreement.
 iii. **Minor also a co-parcener**
 ☉ In a Joint Hindu Family firm even a new born baby can be a co-parcener.
- What is the minimum and maximum number of members in the partnership concern?**
 ☉ Since partnership is the outcome of an agreement, the minimum number of persons required to form a partnership is two. Maximum is 50
- What is the meaning of Partnership Deed?(AUG-2022)** ✎
 ☉ 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.

IV. Long Answer Questions**1. What are the contents of Partnership Deed?(MAR-2019,SEP-2021,JUNE- 2023)**

- | | |
|--|--------------------------------------|
| (i) Name of the Firm | (ii) Nature of the proposed business |
| (iii) Duration of partnership | (iv) Capital contribution |
| (v) Withdrawal from the firm | (vi) Profit/loss sharing |
| (vii) Interest on capital | (viii) Rate of interest on drawing |
| (ix) Loan from partners | (x) Account keeping |
| (xi) Salary and commission to partners | |

2. Explain the types of dissolution of partnership firm. (any 5)**a. Without the order of the court****i. By agreement or mutual consent**

- ⊙ A firm may be dissolved when all the partners agree to close the affairs of the firm.

ii. When the objective becomes illegal

- ⊙ When the business carried on by the partnership becomes illegal, the partnership firm is automatically dissolved.

iii. On certain contingencies:

- | | |
|--------------------------------------|-------------------------------------|
| i. On the death of a partner. | ii. On the retirement of a partner. |
| iii. On the insolvency of a partner. | |

b. Dissolution through court

- | | |
|----------------------------------|---|
| a. When a partner becomes insane | b. Permanent incapacity of any partner |
| c. Misconduct of any partner | d. Transfer of interest to third person |
| e. Continued loss | |

3. Write the procedure for Registration of a Firm. (any 5)(MAY-2022)

- Name of the firm.
 - The principal place of business.
 - Name of other places where the firm carried on business.
 - Names and addresses of all the partners.
 - The date on which each partner joined the firm.
 - The duration of the firm.
- ✗ This statement signed by all the partners should be produced to the Registrar of Firms along with the necessary registration fee.
 - ✗ Any change in the above particulars must be communicated to the Registrar within 14 days of such alteration.

UNIT II FORMS OF BUSINESS ORGANISATION
CHAPTER 6 JOINT STOCK COMPANY

I. Choose the Correct Answer**1. The relationship between outsiders and the company is defined in _____**

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

2. Table A of the Companies Act is a _____

- | | |
|-----------------------|--------------------------------|
| a) Model minutes book | b) Model form of Balance Sheet |
| c) Model of AOA | d) Model of MOA |

3. 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 |

4. The Board of directors of a company is elected by _____

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

5. Companies established as a result of a charter granted by the King or Queen of a country is called _____

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

II. Very Short Answer Questions**1. What are the different types of companies?**

- | | |
|----------------------------------|--|
| i) On the basis of incorporation | - chartered, Statutory, Association not for profit |
| ii) Membership | - Public, Private |
| iii) Liability | - Limited by Shares, Limited by Guarantee, Unlimited Liability |
| iv) Control | - Holding, Subsidiary, Government company |
| v) Nationality | - Domestic, Foreign company, MNC |

2. Define a Company.

- "A company is an artificial person created by law having a separate entity with a perpetual succession and a common seal".- **Sec 2 of Companies Act 2013**

3. What is meant by Limited liability?

- 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.

4. Explain any two characteristics of a company.**i. Limited Liability**

- 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. One Share-One Vote

- The principle of voting in a company is one share-one vote i.e. if a person has 10 shares; he has 10 votes in the company.

5. What is meant by Chartered Company?(OCT-2020) ✎

- Chartered companies are established by the King or Queen of a country.
- Examples: East Indian Company, Bank of England, Hudson's Bay Company.

III. Short Answer Questions**1. What are the advantages of Companies? (any 3)****i. Large Capital**

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

ii. Perpetual succession

- A company is created by law and it can be windup only through legal process.

iii. Capacity to Sue and being sued

- A company can sue or be sued in its own name as distinct from its members.

2. What is meant by Government Company?

- A public enterprise incorporated under the Indian Companies Act, 1956 is called a government company.
- 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".

3. What is meant by Foreign Company?(MAY-2022) ✎

- A company incorporated outside India, establishment of business in India.
- After the establishment of business in India, the following documents must be filed with the Registrar of Companies within 30 days from the date of establishment.

IV. Long Answer Questions**1. What are the contents of Memorandum of Association? (any 5)****(MAR-2020,AUG-2022,MAR-2023) ✎**

i. Name Clause	ii. Situation Clause
iii. Objective clause	iv. Capital Clause
v. Association Clause	

1. Name Clause:

- The name clause requires to state the legal and recognized name of the company.

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.

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.

4. Capital Clause:

- The capital clause requires to state the company's authorized share capital, the different categories of shares and the nominal value of the shares.

5. 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.

2. What are the contents of Articles of Association?(any 5)(MAY-2022) ✎

- i. Amount of shares, capital, value and type of shares
- ii. Rules regarding issue of shares and debentures
- iii. Manner of transfer of shares
- iv. Declaration of dividends
- v. Borrowing powers of the company
- vi. Rules regarding the appointment, remuneration, removal of directors
- vii. Procedure for conducting proxy, quorum, meetings etc.,
- viii. Procedures concerning keeping of books and audits
- ix. Seal of the company
- x. Procedures regarding the winding up of the company.

3. What is meant by Multi National Company?(MAR-2019) ✎

- A Multi National Company (MNC) is a huge industrial organisation which,
 - a. Operates in more than one country
 - b. Carries out production, marketing and research activities on international Scale in those countries.
 - c. Seeks to maximise profits world over.
- A domestic company or a foreign company can be a MNC.
- **Examples:** Microsoft Corporation, Nokia Corporation, Nestle, Coca-Cola, International Business Machine, Pepsico, Sony Corporation.

UNIT II FORMS OF BUSINESS ORGANISATION
CHAPTER 7 COOPERATIVE ORGANISATION

I. Choose the Correct Answer:**1. Membership in a cooperative organization is:**

- | | |
|--------------------|-----------------|
| a) Not open to all | b) Selective |
| c) Open to all | d) None of them |

2. Cooperative fails because of

- | | |
|-------------------------|-----------------|
| a) Unlimited membership | b) Cash trading |
| c) Mismanagement | d) Loss-making |

3. All cooperatives are established with

- | | |
|-------------------------|-------------------|
| a) Philanthropic motive | b) Service motive |
| c) Profit motive | d) Reform motive |

4. Consumers Co-operation was first successful in _____

- | | | | |
|------------|--------|----------|----------|
| a) England | b) USA | c) Swiss | d) India |
|------------|--------|----------|----------|

5. Rochdale society of equitable pioneers was started by _____

- | | | | |
|----------------|----------------|------------|------------|
| a) Robert owen | b) H.C.Calvert | c) Talmaki | d) Lambert |
|----------------|----------------|------------|------------|

II. Very Short Answer Questions**1. What do you mean by cooperative organization?**

- A cooperative is a form of business organisation which is owned and controlled by the people who use its products, supplies or services.

2. Define Cooperatives.

- Cooperation is "better farming, better business and better living" - Sir Horace Plunkett

3. What is Credit Cooperatives?

- Cooperative credit societies are those formed for the purpose of providing short term financial help to their members.

4. Who are Rochdale Pioneers?

- At first, the cooperative movement was started by Robert Owen, in the year 1844.
- He formed a consumer's cooperative society in England with 28 workers as members, called "Rochdale Society of Equitable Pioneers".

III. Short Answer Questions**1. What are the disadvantages of Cooperatives? (any 3) (JUNE 2023)****i. Limited funds**

- Co-operative societies have limited membership and are promoted by the weaker sections.
- The membership fees collected is low.

ii. Lack of managerial skills

- Co-operative societies are managed by the managing committee elected by its members.
- The members of the managing committee may not have the required qualification, skill or experience.

iii. Lack of secrecy

- Business secrets cannot be maintained in cooperatives because all members are aware of the activities of the enterprise.

2. Write a note on Housing cooperatives.

- These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.
- People who intend to build houses of their own join together and form housing societies.
- These societies advance loans to members, repayable over a period of 15 to 20 years.

3. What is meant by Producers cooperative society?

- Producer cooperatives are established and operated by producers.
- Producers can decide to work together or as separate entities to help increase marketing possibilities and production efficiency.
- They are organized to process, market, and distribute their own products.

IV. Long Answer Questions**1. What are the principles of cooperatives? (any 5)(AUG-2022)**

- i. Voluntary And Open Membership**
- ii. Democratic Member Control**
- iii. Member's Economic Participation**
- iv. Autonomy And Independence**
- v. Cooperation Among Cooperatives**

i. Voluntary and Open Membership

- Cooperatives are voluntary organizations, open to all people able to use its services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

ii. Democratic Member Control

- Cooperatives are democratic organizations controlled by their members—those who buy the goods or use the services of the cooperative—who actively participate in setting policies and making decisions.

iii. Member's Economic Participation

- Members contribute equally to, and democratically control, the capital of the cooperative.

iv. Autonomy and Independence

- Cooperatives are autonomous, self-help organizations controlled by their members.

v. Cooperation among Cooperatives

- Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

2. What are the advantages of cooperative society?(JUNE-2019,MAR2020)

- i. Voluntary Organization**
- ii. Easy Formation**
- iii. Democracy**
- iv. Separate Legal Entity**
- v. Tax Concessions**

i. Voluntary organization

- The membership of a cooperative society is open to all.
- There are no entry or exit barriers.

ii. Easy formation

- Any 25 members who have attained majority can join together for forming a co-operative society by observing simple legal formalities.

iii. Democracy

- A co-operative society is run on the principle of 'one man one vote'.

iv. Separate legal entity

- A cooperative society enjoys separate legal entity which is distinct from its members.
- It enjoys perpetual existence.

v. Tax concessions

- To promote the co-operative movement and also because of the fact that it is a non-profit enterprise, government provides various exemptions and tax concessions.

3. What are the types of cooperative society.(any 5) (JUNE 2023)

1. Consumers Cooperatives
2. Producers Cooperatives
3. Marketing Cooperatives
4. Credit Cooperatives
5. Housing Cooperatives

A. Consumers Cooperatives

- Consumer cooperatives are organized by consumers that want to achieve better prices or quality in the goods or services they purchase.
- Students' cooperative stores, Cooperative provision stores and supermarkets set up on cooperative societies of India are examples of this type.

B. Producers Cooperatives

- Producer cooperatives are established and operated by producers.
- They are organized to process, market, and distribute their own products.

C. Marketing Cooperatives

- Cooperative marketing societies are associations of small producers formed for the purpose of marketing their produce.
- The marketing cooperatives perform certain marketing functions such as grading, warehousing, advertising etc.,

D. Credit Cooperatives

- Cooperative credit societies are those formed for the purpose of providing short term financial help to their members.
- Agriculturists, artisans, industrial workers, salaried employees, etc., form these credit societies.
- Credit societies may be agricultural credit societies or non-agricultural credit societies.

E. Housing Cooperatives

- These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.
- People who intend to build houses of their own join together and form housing societies.
- These societies advance loans to members, repayable over a period of 15 to 20 years.

UNIT II FORMS OF BUSINESS ORGANISATION
CHAPTER 8 MULTI NATIONAL CORPORATIONS (MNCs)

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

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

- a) Branches
- b) Subsidiaries
- c) Headquarters
- d) Parliament

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

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

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

5. Coca-Cola Company is an example of

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

II. Very Short Answer Questions**1. Define Multinational Company.**

"A multinational corporation owns and manages business in two or more countries."

- Neil H.Jacoby

2. Write any two advantages of MNC's.**i. Technical Development**

- ♣ 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.

ii. 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.

3. Give two examples of MNC's.

- (i) Bata Corporation (ii) Timex (iii) Sony Corporation (iv) Suzuki

III. Short Answer Questions**1. Name the type of business enterprises which operates in more than one country.**

- (i) Bata Corporation - Bata India
 (ii) Sony Corporation - Sony India
 (iii) Suzuki - Maruthi Suzuki
 (iv) Timex - Timex Watches

2. Write any three Indian MNC's.

- a. TVS - Chennai b. TATA - Mumbai c. INFOSYS - Bengaluru

III. Long Answer Questions**1. What are the advantages of MNC's? (any 5)**

- | | |
|------|---|
| i. | Low Cost Labour |
| ii. | Improvement In Balance Of Payment Position |
| iii. | Technical Development |
| iv. | Improvement In Standard Of Living |
| v. | Promotion Of International Brotherhood And Culture |

i. Low Cost Labour

- ♣ MNC set up their facilities in low cost countries and produce goods/service at lower cost.

ii. Improvement in Balance of Payment Position

- ♣ MNCs help the host countries to increase their exports.

iii. Technical Development

- ♣ In fact, MNCs are a vehicle for transference of technical development from one country to another.

iv. 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.

v. Promotion of international brotherhood and culture

- ♣ MNCs integrate economies of various nations with the world economy.

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

- | | |
|------|--|
| i. | Transfer of Outdated Technology |
| ii. | No Benefit to Poor People |
| iii. | Deprivation of Job Opportunity of Local People |
| iv. | Selfish Promotion of Alien Culture |
| v. | Neglect of Industrial and Economic Growth of Home country |

i. Transfer of Outdated Technology:

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

ii. No Benefit to Poor People:

- ♣ MNCs produce only those things, which are used by the rich.

iii. Deprivation of Job Opportunity of Local People:

- ♣ MNCs may not generate job opportunities to the people of home country.

iv. Selfish Promotion of Alien Culture:

- ♣ They make people forget about their own cultural heritage.
- ♣ In India, e.g. MNCs have created a taste for synthetic food, soft drinks etc.

v. Neglect of Industrial and Economic Growth of Home Country:

- ♣ An investment in host countries is more profitable, MNCs may neglect home countries industrial and economic development.

UNIT II FORMS OF BUSINESS ORGANISATION

CHAPTER 9 GOVERNMENT ORGANISATION

I. Choose the Correct Answer

1. The share capital of the government company must not be less than
 - a) 75 % b) 60 % c) 95 % d) 51 %
2. The oldest form of organisation in public sector
 - a) Public Sector Undertakings b) Departmental Undertakings
 - c) Multi National Corporations d) Statutory Corporation
3. A Government company purchases shares in the name of
 - a) Prime Minister b) President
 - c) Chief Justice of India d) State Chief Minister
4. The primary objective of the state enterprises is to _____
 - a) Earn profit b) Provide Employment
 - c) Serve the People d) All the Above

II. Very Short Answer Questions

1. Give two examples of Public Corporation.
 - ✱ Life Insurance Corporation of India, (LIC)
 - ✱ Oil and Natural Gas Commission, (ONGC)
2. Give two examples of Departmental Undertaking. (MAY-2022)
 - ✱ The Indian Railways, Post and telegram service, Department of Food and Public Distribution, All India Radio, Doordarshan, Tamilnadu Police department.
3. What is meant by Red-Tapism?
 - ✱ There is too much of procedures which results in delay.
 - ✱ Commercial organization cannot afford delay in taking decisions.

III. Short Answer Questions

1. What is meant by Departmental Undertakings? (AUG-2022)
 - ✱ Department form of organisation of managing state enterprises is the oldest form of organisation.
 - ✱ Under departmental form of organisation, a public enterprise is run as a separate full-fledged ministry or as a major sub-division of a department of the Government.
2. What is meant by Government Company? (OCT-2020)
 - ✱ A public enterprise incorporated under the Indian Companies Act, 1956 is called a government company.
 - ✱ 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".
 - ✱ **Examples:** Steel Authority of India (SAIL), Indian Oil Corporation, Oil and Natural Gas Corporation (ONGC), Bharath Heavy Electricals (BHEL).
3. What is meant by Public Corporations? (MAY-2022)
 - ✱ It is created as an autonomous unit, by a special Act of the Parliament or the State Legislature.
 - ✱ Since a public corporation is created by a Statute; it is also known as a statutory corporation.
 - ✱ The Statute defines the objectives, powers and functions of the public corporation.

IV. Long Answer Questions

1. What are the advantages of Departmental undertaking? (any 5) (MAY-2022)

- | | |
|------|--|
| i. | Easy Formation |
| ii. | Direct And Control Of Parliament Or State Legislature |
| iii. | Secrecy Maintained |
| iv. | Lesser Burden Of Tax On Public |
| v. | Lesser Risk Of Misuse Of Public Money |

i. Easy Formation

- ✱ It is easy to set up a departmental undertaking.
- ✱ The departmental undertaking is created by an administrative decision of the Government, involving no legal formalities for its formation.

ii. Direct and Control of Parliament or State Legislature

- ✱ The departmental undertaking is directly responsible to the Parliament or the State legislature through its overall head i.e. the minister concerned.

iii. Secrecy Maintained

- ✧ Strategic industries like defence and atomic power cannot be better managed other than government departments.
- ✧ Department undertakings can maintain secrecy in their working.

iv. Lesser Burden of Tax on Public

- ✧ Earnings of departmental undertaking are entirely paid into Government treasury, resulting in lesser tax burden on the public.

v. Lesser Risk of Misuse of Public Money

- ✧ As the departmental undertaking is subject to budgeting, accounting and audit procedures of the government; the risk of misuse of public money is relatively less.

2. What are the features of Public Corporations? (any 5)

- | | |
|------|---|
| i. | Special Statute |
| ii. | Separate Legal Entity |
| iii. | Capital Provided By The Government |
| iv. | Management By Board Of Directors |
| v. | Service Motive |

i. Special Statute

- ✧ A public corporation is created by a special Act of the Parliament or the State Legislature.

ii. Separate Legal Entity

- ✧ A public corporation is a separate legal entity with perpetual succession and common seal.
- ✧ It can own property; can make contracts and file suits, in its own name.

iii. Capital Provided by the Government

- ✧ However, many public corporations have also begun to raise money from the capital market.

iv. Management by Board of Directors

- ✧ Its management is vested in a Board of Directors, appointed or nominated by the Government.

v. Service Motive

- ✧ The main objective of a public corporation is service-motive; though it is expected to the self-supporting and earn reasonable profits.

3. What are the features of Government Company? (any 5)**(JUNE-2019,SEP-2021)**

- | | |
|------|---|
| i. | Registration Under The Companies Act |
| ii. | Executive Decision Of Government |
| iii. | Separate Legal Entity |
| iv. | Whole Or Majority Capital Provided By Government |
| v. | Accountability To The Parliament / State Legislature |

i. Registration Under the Companies Act

- ✧ A Government company is formed through registration under the Companies Act, 1956; and is subject to the provisions of this Act, like any other company.

ii. Executive Decision of Government

- ✧ A Government company is created by an executive decision of the Government, without seeking the approval of the Parliament or the State Legislature.

iii. Separate Legal Entity

- ✧ A Government company is a legal entity separate from the Government.
- ✧ It can acquire property; can make contracts and can file suits, in its own name.

iv. Whole or Majority Capital Provided by Government

- ✧ The whole or majority (at least 51%) of the capital of a Government company is provided by the Government; but the revenues of the company are not deposited into the treasury.

v. Accountability to the Parliament/ State Legislature

- ✧ The Annual Report of a Government company is placed before the Parliament or the State Legislature.

UNIT II FORMS OF BUSINESS ORGANISATION

CHAPTER 10 RESERVE BANK OF INDIA

I. Choose the Correct Answer

1. Which bank has the power to issue bank notes?

- (a) Central bank (b) Commercial bank
(c) Co-operative banks (d) Foreign banks

2. The Central bank of India is

- (a) PNB (b) SBI (c) ICICI (d) RBI

3. The Reserve Bank of India commenced its operations from April 1,

- (a) 1936 (b) 1935 (c) 1934 (d) 1933

4. Bankers are not only dealers of money but also leaders in

- (a) Economic development (b) Trade development
(c) Industry development (d) Service development

5. Which of the following is not a function of a central bank?

- (a) Guiding and regulating the banking system of a country
(b) Deal with the general public
(c) Acts essentially as Government banker
(d) Maintains deposit accounts of all other banks

II. Very Short Answer Questions

1. What are the services included in Service businesses?

- i) Education, ii) Medical, iii) Hospitality

2. Write the meaning of 'Bank'.

- ♣ "Banking means the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, pay order or otherwise".

- According to Banking Regulation Act 1949

3. Briefly explain about Central Bank.

- ♣ "A central bank being generally recognized as a bank which constitutes the apex of the monetary and banking structure of its country and which performs as best as it can, in the national economic interest." - De Kock.
♣ He gave a list of seven functions of central bank which are accepted by majority of economists.

III. Short Answer Questions

1. What are the functions of RBI? (any 3)

- ♣ Leadership and Supervisory Functions
♣ Traditional Functions and
♣ Promotional Functions.

2. Explain the origin of RBI.

- ♣ In 1926 the Hilton-Young Commission or the Royal Commission on Indian Currency and Finance (J. M. Keynes and Sir Ernest Cable were its members) made recommendation to create a central bank.
♣ As a result, the RBI Act 1934 was passed and RBI launched in operations from April 1, 1935.
♣ Its head office was in Calcutta and moved to Mumbai in 1937.
♣ RBI was established with a share capital of ₹5 crores divided into shares of ₹100 each fully paid up. The entire share capital was owned by private shareholders.

3. Who are the persons involved in RBI administration?

(AUG-2022,MAR-2023)

- ♣ One Governor and four Deputy Governors
♣ Ten Directors from various fields
♣ Two Government Officials
♣ Four Directors – one each from local boards.

IV. Long Answer Questions

1. Classify the various functions of Reserve Bank of India. (any 5) (JUNE 2023)

- A. Leadership and Supervisory Functions
B. Traditional Functions and
C. Promotional Functions.

A. Leadership and Supervisory Functions:**i. India's Representative in World Financial Institutions**

- ♣ In order to maintain consistency and harmony with international banking standards the RBI is associated with Basel Committee on Banking Supervision (BCBS, Switzerland) since 1997.
- ♣ RBI represents Government of India in International Bank for Reconstruction and Development (IBRD i.e. World Bank) and International Monetary Fund (IMF) in which India is a member since December 27, 1945.

ii. Regulator and Supervisor of Indian Banking System

- ♣ The broad guidelines for all banking operations in the country are formulated by the RBI.
- ♣ The RBI has power to issue licenses, control and supervise commercial banks under the RBI Act, 1934 and the Banking Regulation Act, 1949.

B. Traditional Functions:**i. Monopoly of Note Issue**

- ♣ The RBI is the sole authority for the printing and issue of all currency notes in India except one rupee note.
- ♣ It is the duty of the RBI to ensure that sufficient number of good quality currency notes is available to the public.
- ♣ One rupee note and all coins are issued by the Ministry of Finance.

ii. Banker's Bank

- ♣ The RBI maintains the current accounts of all commercial banks in the country.
- ♣ All scheduled banks should deposit a percentage of cash reserve with RBI.
- ♣ All banks can receive loans from RBI by rediscounting of bills and against approved securities.

C. Promotional Functions.**i. Grievance Settlement Measures**

- ♣ RBI has appointed 20 (up to 2017) Banking Ombudsman in 20 state capitals.
- ♣ Banking Ombudsman Scheme is a speedy and inexpensive forum for resolution of customer complaints relating to certain services rendered by banks in India.

ii. Facilitates Foreign Trade

- ♣ The RBI has simplified the rules for credit to exporters, through which they can now get long term advance from banks.

UNIT III SERVICE BUSINESS - I
CHAPTER 11 TYPES OF BANKS

I. Choose the Correct Answer**1. Which bank is not a Industrial Bank?**

- (a) ICICI (b) HSBC (c) SIDBI (d) IDBI

2. The Local Area Banks are promoting

- (a) Rural savings (b) Business savings
(c) Industrial development (d) Agricultural development

3. Foreign banks are begun their operation since

- (a) 1978 (b) 1979 (c) 1980 (d) 1981

II. Very Short Answer Questions**1. Give the meaning of Commercial Banks. (JUNE 2023)**

- Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. in order to earn profit.
- Their lending is in comparatively small amounts and mostly for short and medium period.

Examples:

- i. State Bank of India ii. Karur Vysa Bank iii. Standard Chartered Bank

2. What do you mean by Industrial Development Banks

- Huge finance required for investment, expansion and modernisation of big industries and others are granted by a separate type of banks called development Banks. They are also called industrial banks.

3. What are Foreign Banks?(MAR-2019)

- Banks which have registered office in a foreign country and branches in India are called foreign banks.

III. Short Answer Questions**1. Write a short note on Local Area Banks. Give two examples.**

- Local Area Bank (LAB) scheme was introduced by the RBI in August 1996.
- LABs are small private sector banks established in rural and semi-urban areas.
- Each bank serves two or three adjoining districts only.
- Their main objective is to mobilise rural savings (accept deposits) and invest them in the same areas.

Exmaples: Coastal Local Area Bank, Vijayawada, Andhra Pradesh.

2. What are the objectives involved in Regional Rural Banks? (JUNE-2019) ✎

- Their objective is to develop rural economy and play supplementary role to cooperative societies.
- They mobilise deposits from the rural public and provide finance to rural artisans, small entrepreneurs and farmers and try to avoid their dependency on money lenders.
- They are regulated and supervised by NABARD.

IV. Long Answer Questions**1. Explain the various types of banks based on the Functions.(any 5) (MAR-2023) ✎**

- | | |
|------|------------------------------------|
| i. | Commercial Banks |
| ii. | Development Banks |
| iii. | Co-operative Banks |
| iv. | Foreign Banks |
| v. | Regional Rural Banks - RRBs |

i. Commercial Banks:

- Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. in order to earn profit.
- Their lending is in comparatively small amounts and mostly for short and medium period.
- They also issue guarantees to businessmen.

ii. Development Banks:

- Huge finance required for investment, expansion and modernisation of big industries and others are granted by a separate type of banks called development Banks. They are also called industrial banks.
- The objective of development banks is not profit.
- Development banks do not accept deposits from the public.
- They subscribe the shares and debentures of the industries.

iii. Co-operative Banks:

- All cooperative banks in India are owned by its customers or members who are farmers, small traders and others.
- Cooperative banks in India are either urban based or rural based.
- All cooperative banks in Tamil Nadu are registered under Tamil Nadu Cooperative Societies Act 1983.
- They are controlled by both RBI and the State Government.
- Their foremost objective is providing service to its members for rural and agricultural development and not profit earning.

Examples:

- National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED) was set up in 1958 and registered under the Multi State Cooperative Societies Act.

iv. Foreign Banks

- Banks which have registered office in a foreign country and branches in India are called foreign banks.
- These banks open their offices in big cities and port towns only.
- Mostly they serve the interests of the multinational companies, employees and other business institutions.
- Their profitability is higher than Indian banks.
- They have to oblige both their home country banking regulations and the RBI regulations.

Examples: Bank of America - The USA, Barclays Bank - The UK,
Deutsche Bank - Germany

v. Regional Rural Banks - RRBs

- The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank.

- Their share capital is contributed by these sponsors in the ratio of 50:15:35.
- They are established as low cost institutions in rural areas.

2. Explain the types of banks based on Ownership pattern.

- Any bank in which not less than 51 percent of shares are owned by the Government are called Government banks or public sector commercial banks (Total 21).
- All nationalized banks (19 banks, in 2017), SBI and IDBI Ltd. are public sector commercial banks.
- All of them are joint stock company type banks. There are corporation type banks.
- Each corporation type bank is established by a separate Act of Parliament and is fully owned by Government of India.

Examples: IFCI, SIDBI, EXIM Bank, etc.

- All banking companies owned by private people are called private sector commercial banks.
- All cooperative banks are owned by its members from the public.
- Their objective was to earn more profits.
- Government paid the share capital of those banks to the private owners and took over as Government banks. This is called nationalization of banks.

Examples:

- **Nationalised Banks:** Indian bank, Indian Overseas Bank, Oriental Bank of Commerce.
- **Public Sector Banks:** State Bank of India, IDBI Bank Ltd. and all nationalized banks
- **Private Sector Banks:** Lakshmi Vila Bank, Karur Vysya Bank, Kotak Mahindra bank.

Note: Bharatiya Mahila Bank was established on 19, November 2013 to serve exclusively women members of the public was merged with SBI on 31 March, 2017.

UNIT III SERVICE BUSINESS - I CHAPTER 12 FUNCTIONS OF COMMERCIAL BANKS

I. Choose the Correct Answer

1. Electronic banking can be done through

- (a) Computers (b) Mobile phones
(c) ATM (d) All of the above

2. Minimum how much amount can be transferred through RTGS?

- (a) Any amount (b) 50,000 (c) 2 lakh (d) 5 lakh

3. The largest commercial bank of India

- (a) ICICI (b) SBI (c) PNB (d) RBI

4. In which kind of account, it is compulsory to deposit certain amount at certain time?

- (a) Saving deposit (b) Fixed deposit
(c) Current deposit (d) Recurring deposit

5. Which of the following is not a type of advance provided by commercial bank?

- (a) Collecting and supplying business information (b) Overdraft
(c) Cash credit (d) Discounting of bills

II. Very Short Answer Questions

1. What is Mobile Banking?

- Most of the commercial banks have designed computer programs called apps which can be downloaded in smart phones.
- With this app in the smart phone a customer can operate his account transactions from anywhere.
- This service is known as mobile banking.

2. Write a short notes on Debit card. (SEP-2021)

- ATM card also called "Debit card".
- This card is more useful in purchase of goods and services anywhere in India, if the shop maintains a swiping machine facility.

3. Write a short notes on Credit card. (OCT-2020,AUG-2022)

- Banks issue credit cards to customers and other eligible persons.
- The cardholder can purchase goods and services on credit at any shop in India.
- If the dues are paid within the stipulated time no interest is charged.

4. What do you mean by ATM? (MAY-2022)

- A customer can withdraw money anytime, anywhere in India from the ATM machine using the ATM card.

III. Short Answer Questions**1. What is E-Banking? (SEP-2021)**

- 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.

2. Write a short note on – RTGS.

- Real Time Gross Settlement Systems. It was launched by the RBI in 2013.
- The transactions are settled on real time basis.
- Minimum limit for RTGS transaction is 2 lakhs.
- Gross settlement means the transaction is settled between one bank and another bank without adding any other transactions.

3. Explain – NEFT. (MAR-2020, JUNE 2023)

- National Electronic Funds Transfer. This was launched by the RBI in 2005.
- Under this electronic funds transfer system, bulk transfers of transactions are settled in batches during specific timings across India.
- Transactions do not occur under real time basis. 23 settlements are allowed in a day.

IV. Long Answer Questions**1. Discuss the various primary functions performed by the Commercial Banks. (any 5) (AUG-2022)****I. Accepting Deposits****II. Granting Loans and Advances.****III. Creation of Credit****I. Accepting Deposits**

- In these days banks compete with each other to attract customers by adding facilities to these deposit accounts.
- Broadly deposit accounts can be classified into

A. Demand deposits and**B. Time deposits.****A. Demand Deposits:**

- These deposits are repayable on demand on any day.
- This consists of savings deposits and current deposits.

B. Time Deposits

- They include fixed deposits and recurring deposits which are repayable after a period.

I. Accepting Deposits:**1. Savings Deposits:**

- General public deposit their savings into this account.
- This account can be opened in one individual's name or more than one name.
- A minimum balance should be maintained in this deposit account.

2. Current Deposits

- This account is suitable for business institutions.
- Individuals too can open this account.
- A higher minimum balance should be kept in this account.

3. Fixed Deposits (FD)

- Certain amount is deposited for a fixed period for a fixed rate of interest.
- FDR (fixed deposit receipt) is given to the depositor.
- Rate of interest is higher than savings account.

II. Granting Loans and Advances

- The second primary function of commercial banks is lending money in order to earn interest income.

1. Overdraft

- It is a credit facility extended mostly to current account holding business community customers.
- It is an arrangement reached between the banker and the credit worthy customers.
- Such customers are allowed to overdraw (when there is no balance money in the account) up to a certain amount usually for 3 months period.

2. Cash Credit

- It is a secured credit facility given mostly to business institutions.
- Stock in hand, raw materials, other tangible assets, etc. are provided as collateral.
- A certain sum is allowed as credit for a short period.

3. Discounting of Bills

- Business customers approach banks to discount the commercial bills of exchanges and provide money.
- It is a short term credit instrument.
- It is a form of unsecured credit.

III. Creation of Credit

- Credit money of commercial banks is far greater in volume than the currency money.
- The volume, the purposes and the sector to which this credit money is to be channelised - all these are implemented by commercial banks under the guidance of the RBI.

2. Explain the various secondary functions of Commercial banks. (any 5) (MAR-2018,SEP-2021)**I. Agency Functions**

1. Transfer of Funds
2. Conduct Share Market Transactions
3. Preparation of Income Tax Return

II. General utility functions

1. Issue of demand drafts and bankers' cheques
2. Accepting Bills of Exchange on behalf of Customers
3. Letters of credit

I. Agency Functions

- Banks act as agents of customers and provide certain services.
- They are called Agency Functions which are as follows:

1. Transfer of Funds

- Banks issue demand drafts, bankers' cheques, travelers' cheques, etc. and help in transfer of funds from one place to another.
- Customers need not carry cash.
- A small commission is collected by banks for this service.

2. Conduct Share Market Transactions

- A Demat account should be opened with Depository Participant and that demat account should be linked with savings bank account by the customer.
- Then the customer can ask the bank to conduct online purchase or sale of securities, on behalf him.

3. Preparation of Income Tax Return

- Banks prepare the annual income tax return on behalf of the customers and provide income tax related advices to them.

II. General utility functions

- Commercial banks offer some services for the general welfare of the customers.
- They are called general utility services. They are as follows.

1. Issue of demand drafts and bankers' cheques

- Demand drafts and Bankers Cheques are issued to public and customers as well.
- Instead of sending money they can attach these instruments for payment of educational fees, etc.

2. Accepting Bills of Exchange on behalf of Customers

- Banks accept bills on behalf of customers and make payments to the foreign exporter. Afterwards, the banks collect from the customers.

3. Letters of credit

- This document is given by bank on behalf of importing customer to the exporter guaranteeing payment for the imported goods.
- It is a very important document in international trade.

UNIT III SERVICE BUSINESS - I**CHAPTER 13 WAREHOUSING****I Choose the Correct Answer**

1. Warehouses remove the hindrance of _____.
a) Person b) Time c) Risk d) Knowledge
2. A warehouse holds goods as a _____ center.
a) Marketing b) sorting c) distribution d) selling
3. _____ can be given as a collateral security for getting financial assistance from bank.
a) Dock warrant b) Warehouse receipt
c) Dock receipt d) Warehouse warrant

4. _____ warehouses are licensed by the government and are permitted to accept the goods on bond.
 a) Bonded b) Cold Storage
 c) Public d) All the Above
5. _____ warehouses are used for storing perishable goods like fruits, vegetables etc.
 a) Bonded b) Private c) Cold storage d) Co-operative

II Very Short Answer Questions

1. What is Warehouse? (MAR-2020,SEP-2021) ✎
 ✎ It is a place where goods are stored for future use and act as distribution centres.
2. List the various types of warehouses. (MAR-2023) ✎
 i) Private Warehouses ii) Government Warehouses
 iii) Public Warehouses iv) Co-operative Warehouses
3. Give any two functions of warehouses. (MAR-2020,MAY-2022) ✎
 i) Storage ii) Price Stabilisation
 iii) Business finance iv) Risk bearing
4. Give a note on FCI.
 ✎ It provides storage facilities for food grains.
 ✎ Food Corporation of India also hires storage capacity from other sources such as Central Warehousing Corporation, State Warehousing Corporation and private parties.
 ✎ The FCI was set-up under the Food Corporation Act 1964

III Short Answer Questions

1. Differentiate the warehouse warrant from the warehouse receipt. (any 3) (OCT-2020) ✎

S.NO	Warehouse Warrant	Warehouse Receipt
1.	It is a Document of Title Goods	It is not a Document of Title of Goods
2.	It can be transferred to others.	It cannot be transferred to others
3.	It can be given a collateral security	It cannot be given as collateral security

2. Explain Cold storage warehouse. (OCT-2020,AUG-2022,JUNE 2023) ✎
 ✎ Goods are transported in refrigerated containers and stored in refrigerated warehouses.
 ✎ These warehouses are used for storing perishable goods like fruits, vegetables, eggs, butter, fish, meat, etc.,

IV. Long Answer Questions

1. Explain the different types of warehouses. (any 5) (MAY-2022) ✎

I. On the Basis of Ownership

- (a) Bonded Warehouses
- (b) Institutional Warehouses
- (c) Distribution Centre Warehouses

II. On the Basis of Commodities Stored

- (a) General Warehouses
- (b) Special Commodity Warehouses
- (c) Climate Controlled Warehouses

I. On the Basis of Ownership

A. Bonded Warehouses

- ✎ Bonded warehouses are those warehouses, which are licensed by the government to accept storage of imported goods which are not cleared due to non-payment of customs duty by the importer.
- ✎ Branding can be undertaken in the warehouse itself.

B. Institutional Warehouses

- ✎ Different institutions and bodies have their own warehouses on account of the nature of their operations.
- ✎ For example, Banks, Railways, etc, have their own warehouses for conducting their activities.

C. Distribution Center Warehouses

- ✎ Goods which need to be temporarily stored for one or two days so that they can be distributed to other offices or customers are stored in Distribution Centers.
- ✎ They are owned by the manufacturer or wholesalers.

II. On the Basis of Commodities Stored**A. General Warehouses**

- ✧ They are ordinary warehouses which are useful for storing most of the dry food grains, fertilisers, etc.
- ✧ Protective measures against rat, insects, etc. are undertaken by them.

B. Special Commodity Warehouses

- ✧ These warehouses are specially constructed for storing specific type of commodities like tobacco, cotton, wool etc.
- ✧ These warehouses reduce loss of quality and quantity to a great extent.

C. Climate Controlled Warehouses

- ✧ The controlled climate environment can reduce the rate of metabolism in fruits and vegetables.
- ✧ Humidity controlled environments for delicate products such as flowers in dirt free facilities in these warehouses.

2. Explain the advantages of warehousing. (AUG-2022) ✧**Advantages**

- ✧ It safeguards the stock of the merchants who do not have storing place.
- ✧ 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.
- ✧ It helps in selection of channel of distribution. The producer will prefer whether to appoint a wholesaler or retailer.
- ✧ It assists in maintaining the continuous sales and avoids the possibilities of "out of stock" position.
- ✧ It creates employment opportunities for both skilled and unskilled workers, to improve their standard of living.

UNIT III SERVICE BUSINESS - I
CHAPTER 14 TRANSPORTATION

I. Choose the Correct Answer**1. Transport removes the hindrance of**

- a. Time b. Place c. Person d. Knowledge

2. Air consignment note is prepared in _____ forms

- a. One b. Two c. Three d. Four

3. _____ is a document acknowledging the receipt of goods by a carrier

- a. Waybill b. Consignment note
 c. Charter party d. Bill of lading

4. Which is the fastest means of transport?

- a. Rail b. Road c. Sea d. Air

II. Very Short Answer Questions**1. Define Transport. (JUNE-2019,MAR-2020) ✧**

- ❖ "The transport system acts with reference to the area it serves in the same way as a candle does in a dark room" – K.K. Sexena

2. State any two services rendered by transport.

- ❖ It increases the efficiency of production.
- ❖ It stimulates wants by increasing quantity and variety of consumer goods.

3. Write any two advantages of water transport.

- ❖ It is considered as the cheapest mode of transport among the other modes of transport.
- ❖ It is most suitable for heavy loads.
- ❖ There is lesser pollution in water transport.

III. Short Answer Questions**1. What is bill of lading?**

- ❖ Bill of Lading is a document containing the terms and conditions of the contract of carriage.
- ❖ It is issued by the shipping company and signed by the captain of the ship.
- ❖ It is a document of title of goods.
- ❖ The main contents are: Name of Exporter, Name of the ship, Place of loading, Particulars of goods shipped, Port of destination, Freight paid or to be paid, Person to whom delivery of goods is to be made, date etc.

2. What is Charter Party? (MAR-2023) ✎

- ❖ When goods are to be consigned in large quantity, it is advantageous to hire the whole or substantial part of the ship.
- ❖ The document through which this contract is made is known as 'Charter Party' may also be known as 'Voyage Charter' or 'Time Charter'.
- ❖ The person who hires the ship is known as 'Charter'.
- ❖ The charter party brings the vessel and crew under the control of the charters.

IV. Long Answer Questions**1. Explain different types of transport. (any 5) (MAR-2019, MAR-2023, JUNE 2023) ✎**

Transport can be divided in to three important types.

(i) Land Transport (ii) Water Transport (iii) Air Transport

(i) Land Transport (or) Surface Transport:**A. Surface Transport**

- ✎ Transport of people and goods by land vehicles is known as Surface transport.
- ✎ It is also called as 'Land Transport'.

B. Water Transport

- ✎ "Water is a free gift of nature".
- ✎ Human civilization through gradual application of science and technology, have utilized water resources for economic, political and military activities.

C. Air Transport

- ✎ Air transport is the fastest and the costliest mode of transport.
- ✎ Commercial air transport is now one of the most prominent modes of overseas transport.

A. Surface Transport:**1. Pack Animals**

- ✎ Animals like horse, mule, donkey camel, and elephant etc., are used for carrying small loads in backward areas, hilly tracks, forest regions and deserts known as pack animals.
- ✎ Animal transport has also played a significant role where there is no road and railway transport.

2. Bullock Carts

- ✎ It links up the villages with the nearby markets and railway stations.
- ✎ It carries the produce for sale to the market and consumer goods to the villages.

3. Road Transport

- ✎ Road Transport is one of the most promising and potent means suitable for short and medium distances.
- ✎ It offers a number of advantages such as flexibility, reliability, speed and door-to-door service, besides supplementing and increasing the efficiency of the other modes of transport.

4. Motor Lorries and Buses

- ✎ From the dawn of civilization, people have been endeavoring to form roads and use wheeled vehicles to facilitate transport of men and materials.
- ✎ Introduction of petrol engine and later diesel engine vehicle has been offering good competition to the railways.

5. Tramways

- ✎ Tramways were initially horse drawn later steam-powered and now electrically operated.
- ✎ Its carrying capacity is large.

2. Discuss the advantages of Railway transport. (any 5)

- ✎ Railways are well suited for carrying heavy and bulky goods over long distances.
- ✎ It can provide long distance travel throughout the day and night with unbroken services.
- ✎ The goods generally carried in closed wagons are not exposed to sun, rain etc.
- ✎ 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.
- ✎ It requires less time than motor transport for carrying goods over long distance with greater speed
- ✎ It has regular schedule of timing and is available throughout the year.
- ✎ It provides unaffected services whether rainy or shiny weather conditions.

UNIT III SERVICE BUSINESS - I

CHAPTER 15 INSURANCE

I. Choose the Correct Answer

1. The basic principle of insurance is _____
 - a) Insurable Interest
 - b) Co-Operation
 - c) Subrogation
 - d) Proximate causa
2. _____ is not a type of general insurance
 - a) Marine Insurance
 - b) Life Insurance
 - c) Fidelity Insurance
 - d) Fire 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
4. Which of the following is not applicable in insurance contract?
 - a) Unilateral contract
 - b) Conditional contract
 - c) Indemnity contract
 - d) Inter-personal contract
5. Which one of the following is a type of marine insurance?
 - a) Money Back Policy
 - b) Cargo Insurance
 - c) Hull Insurance
 - d) both b & c

II. Very Short Answer Questions

1. List any five important types of policies.

1. Life Insurance (or) Life Assurance:

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

2. Non-life Insurance (or) General Insurance:

- (i) Fire Insurance; (ii) Marine Insurance; (iii) Health Insurance and
(iv) Miscellaneous Insurance.

2. What is health insurance?

- * Presently the health insurance exists primarily in the form of 'Mediclaime policy'.
- * 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).
- * Health insurance is taken as safeguard against rising medical costs.

III. Short Answer Questions

1. Define Insurance.

- * "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

2. Give the meaning of Crop insurance. (MAR-2019, SEP-2021)

- * This policy is to provide financial support to farmers in case of a crop failure due to drought or flood.

3. Write a note on IRDAI.

- * IRDAI – Insurance Regulatory Development and Authority of India is the statutory, independent and apex body that Govern, regulates and supervises the Insurance Industry in India.
- * It was constituted in the year 2000 by Parliament of India Act called IRDAI Act, 1999.
- * Presently IRDAI headquarters is in Hyderabad.

Organisational Setup of IRDAI

- IRDAI is a ten member body consists of
- * One Chairman (For 5 years & Maximum age – 60 years)
- * Five whole-time Members (Not 5 years and Maximum Age – 62)
- * Four part-time Members (Not more than 5 years)
- * The chairman and members of IRDA are appointed by; the Government of India

IV. Long Answer Questions

1. Explain the various types of Insurance. (any 5) (AUG-2022, JUNE 2023)

i) Whole Life Policy

- * The sum insured is payable only on the death of the assured to the beneficiaries or heir of the deceased.
- * The premium is payable for a fixed period (20 or 30 years) or for the whole life of the assured.
- * If the premium is payable for a fixed period, the policy will continue till the death of the assured.

ii) Endowment Life Assurance Policy

- * Under this type of policy, the insurer undertakes to pay the assured a specified sum, on the attainment of a particular age or on his death, whichever is earlier.
- * In case of death of the assured before he attains the specified age, the sum is payable to his legal heir or the nominee.
- * Otherwise, the sum is paid to the assured, when he attains a particular age. Thus, the endowment policy matures after a limited number of years.

iii) Joint Life Policy (JLP)

- * The policy is taken up jointly on the lives of two or more persons is known as Joint Life Policy.
- * On the death of any one person, the assured sum or policy money is paid to the other survivor or survivors.
- * The premium is paid jointly or by either of them in installments or lump sum.

iv) Annuity Policy

- * Under this policy, the assured sum or policy money is payable in monthly or annual instalments after the assured attains a certain age.
- * In this case, either the whole amount of the premium is paid once or premium is paid in instalments over a certain period.
- * This policy is useful to those who prefer a regular income after a certain age.

v) Children's Endowment Policy

- * This policy is taken to provide funds for the education or marriage of children.
- * For example, Jeevan Anurag Policy.
- * In this policy, the amount is payable by the insurer when the children attain a particular age.
- * The premium is paid by the person entering into the contract. However, no premium will be paid, if he/she dies before the maturity of the policy.

2. Explain the principles of Insurance. (any 5)**(MAR-2018, JUNE-2019, OCT-2020, SEP-2021, MAY-2022)**

1. Utmost Good Faith
2. Insurable Interest
3. Indemnity
4. Causa Proxima
5. Contribution

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.

2. Insurable Interest:

- * The insured must have an insurable interest in the subject matter of insurance.
- * 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.

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 cause.

5. Contribution:

- * The same subject matter may be insured with more than one insurer then it is known as 'Double Insurance'.
- * 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.
- ❄ This is because the insured cannot make any profit by selling the damaged property

UNIT IV SERVICE BUSINESS - II

CHAPTER 16 EMERGING SERVICE BUSINESS IN INDIA

I. Choose the Correct Answer

1. A continuing relationship which provides a licence privileges to do business and provides training, merchandising for a consideration is called _____
 - a) Franchising
 - b) Factoring
 - c) Supply Chain Management
 - d) Exchange
2. Buying and selling of goods through electronic network is known as ____
 - a) E-commerce
 - b) internet
 - c) Website
 - d) Trade
3. An organization carrying out activities to move goods from producer to consumer is
(a) Transport (b) Logistics (c) Channels (d) Marketing
4. The main benefit of Logistics is
(a) Productivity (b) Cost Minimisation
(c) Profitability (d) Storage
5. The main benefit of outsourcing is
(a) Productivity (b) Cost reduction (c) Skill (d) Units

II. Very Short Answer Questions

- 1. Who is a Franchisee? (MAR-2019)**
 - ✓ The individual who acquires the right to operate the business or use the trademark of the seller is known as the Franchisee.
- 2. State two disadvantages of Franchising.**
 - a) Franchising fees:**
 - ✓ The initial franchising fee and the subsequent renewal fees can be very high in case of successful businesses.
 - ✓ From the franchisee's point of view, this may be a deterrent.
 - b) Fixed royalty payment:**
 - ✓ The franchisee has to make payment of royalty to the franchiser on a regular basis.
 - ✓ This considerably reduces the income of the franchisee.
- 3. What is meant by BPO? (AUG-2022, MAR-2023)**
 - ✓ BPO means getting contractual services of external companies or group of companies to complete special work or process of a company.
- 4. What is meant by Logistics?**
 - ✓ Logistics can be viewed as a logical extension of transportation and related areas to achieve an efficient and effective goods distribution system.

III. Short Answer Questions

1. **What are the types of Franchising? (JUNE-2019,MAR-2020)**
 - i. **Product/trade name franchising:**
 - ✓ In this type, the franchisee exclusively deals with a manufacture's product.
 - ✓ Examples include Kidzee, French Loaf outlets, Bharat Petroleum bunks, Patanjali products, etc.
 - ii. **Business format franchising:**
 - ✓ When a franchisor awards rights covering all business aspects as a complete business package to the franchisee it is called as business format franchising.
 - ✓ Examples are McDonald's, Pizza Hut. KFC, Hot breads, Titan, Color plus, Zodiac, Lakme beauty parlour.
2. **List the steps in factoring process. (any 3)**
 - ✓ Whenever goods are sold on credit basis, an invoice is raised and a copy of the same is sent to the factor.
 - ✓ The debt amount due to the firm is transferred to the factor through assignment and the same is intimated to the customer.
 - ✓ On the due date, the amount is collected by the factor from the customer.

3. What is the impact of e-commerce on buyers? (any 3) (MAR-2019)

- ✓ Buyers could have a global access to information about variety of products and services available in the market
- ✓ They could buy the products/services round the clock from anywhere in world
- ✓ Electronic and software products could be downloaded immediately after purchase through e – commerce mode
- ✓ Individuals could sell their used products through e – commerce mode with relative ease.

IV. Long Answer Questions**1. Enumerate the advantages of Franchising. (any 5)**

- i. **Reduced risk:**
- ii. **Business expansion:**
- iii. **Cost of advertising:**
- iv. **Operational support:**

a) Reduced risk:

- ✓ The franchisee will acquire the right of running an already established business, thus eliminating the risk of starting a new business.

b) Business expansion:

- ✓ Franchising provides an opportunity to expand business at regional, national and global levels without incurring additional expenditure.
- ✓ Thus rapid growth of franchisor's business is facilitated.

c) Cost of advertising:

- ✓ The cost of advertising for the franchisor will be reduced since this cost will be shared by the franchisee.
- ✓ Moreover, it enables the franchisor to reap the benefits of increased visibility across regional and national boundaries.

d) Operational support:

- ♦ The franchisee is provided assistance in not only obtaining finance, but also in deciding business location, decor /design, staff training, and handling day to day operations.

2. Elucidate the features of factoring. (MAR-2019,OCT-2020,JUNE 2023)

1. **Maintenance of book-debts**
2. **Credit coverage**
3. **Cash advances**
4. **Collection service**
5. **Advice to clients**

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.

UNIT V SERVICE BUSINESS - III
CHAPTER 17 SOCIAL RESPONSIBILITY OF BUSINESS

I. Choose the Correct Answer**1. Which type of Responsibility gives the benefit to the Society out of its profits earned?**

- (a) Legal (b) Ethical (c) Moral (d) Economic

2. The Stakeholders of Socially Responsible business units are except

- (a) Share Holders (b) Employees (c) Government (d) Company

- 3. Assuming Social Responsibility of business helps the enterprise in**
 (a) Increase profit (b) Decrease profit
(c) Sustainability (d) Equilibrium
- 4. Socially Responsible business provides goods at**
 (a) high price (b) low price
(c) reasonable price (d) moderate price
- 5. Social Responsibility towards employees represents the following except**
 (a) reasonable remuneration (b) proper facilities
 (c) Social security **(d) exploitation**

II. Very Short Answer Question

1. Give the meaning of Social power.

- ◆ Businessmen have considerable social power.
- ◆ Their decisions and actions affect the lives and fortunes of the society.
- ◆ Businessmen should assume social obligations commensurate with their social power.

2. What is free enterprise?

- ◆ A business enterprise which accepts and discharges social obligations enjoys greater freedom.
- ◆ The social responsibilities are essential for avoiding governmental action against business.

3. What is Ethical responsibility? (MAR-2020, JUNE 2023) ✎

- ◆ This includes the Behaviour of the firm that is expected by society but not codified in law.

III. Short Answer Question

1. Define the concept of Social Responsibility.

- ◆ "Social Responsibility requires managers to consider whether their action is likely to promote the public good, to advance the basic beliefs of our society, to contribute to its stability, strength and harmony".

-Peter F. Drucker

2. List the kinds of Social Responsibility. (any 3) (OCT-2020, MAR-2023) ✎

- | | |
|-----------------------------|----------------------------------|
| i. Economic Responsibility | ii. Legal Responsibility |
| iii. Ethical Responsibility | iv. Discretionary Responsibility |

IV. Long Answer Questions

1. Explain the need for Social Responsibility. (any 5)

- | | |
|--|--|
| 1. Self-Interest
3. Social Power
5. Trusteeship | 2. Creation of Society
4. Free Enterprise |
|--|--|

1. Self-Interest:

- ◆ A business unit can sustain in the market for a longer period only by assuming some social obligations.
- ◆ Normally businessmen recognise that they can succeed better by fulfilling the demands and aspirations of society.

2. Creation of Society:

- ◆ Business is a creation of society and uses the resources of society.
- ◆ Therefore, it should fulfil its obligations to society.

3. Social Power:

- ◆ Businessmen have considerable social power.
- ◆ Their decisions and actions affect the lives and fortunes of the society.

4. Free Enterprise:

- ◆ A business enterprise which accepts and discharges social obligations enjoys greater freedom.
- ◆ The social responsibilities are essential for avoiding governmental action against business.

5. Trusteeship:

- ◆ Mahatma Gandhi suggested that "those who own money or property should hold and use it in trust for society.
- ◆ " Businessmen should run business firms not for their self enrichment but for the good of the society.

2. How do you classify the Social Responsibility? (MAR-2019) ✎

- | | |
|------|-------------------------------------|
| i. | Economic Responsibility |
| ii. | Legal Responsibility |
| iii. | Ethical Responsibility |
| iv. | Discretionary Responsibility |

1. Economic Responsibility

- ♦ A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic i.e., produce goods and services that society wants and sell them at a profit.
- ♦ There is little discretion in performing this responsibility.

2. Legal Responsibility

- ♦ Every business has a responsibility to operate within the laws of the land.
- ♦ Since these laws are meant for the good of the society, a law abiding enterprise is a socially responsible enterprise as well.

3. Ethical Responsibility

- ♦ This includes the behaviour of the firm that is expected by society but not codified in law.
- ♦ **For example**, respecting the religious sentiments and dignity of people while advertising for a product.
- ♦ There is an element of voluntary action in performing this responsibility.

4. Discretionary Responsibility

- ♦ This refers to purely voluntary obligation that an enterprise assumes, for instance, providing charitable contributions to educational institutions or helping the affected people during floods or earthquakes.
- ♦ It is the responsibility of the company management to safeguard the capital investment by avoiding speculative activity and undertaking only healthy business ventures which give good returns on investment.

UNIT V SERVICE BUSINESS - III**CHAPTER 18 BUSINESS ETHICS AND CORPORATE GOVERNANCE****I. Choose the Correct Answer****1. Which of the following helps in maximising sale of goods to society?**

- | | |
|---------------------|----------------------------|
| a) Business success | b) laws and regulations |
| c) Ethics | d) Professional management |

2. Ethics is important for

- | | |
|-----------------------------|--------------------------|
| a) Top management | b) Middle level managers |
| c) Non managerial employees | d) All of them |

3. Which of the following does not ensure effective ethical practices in a business enterprise

- | | |
|---|-----------------------------|
| a) Publication of a code | b) Involvement of employees |
| c) Establishment of compliance mechanisms | d) none of them |

4. The role of top management is to guide the entire organisation towards

- | | |
|---------------------------------------|-----------------------------|
| (a) General behavior | (b) Organisavtion behaviour |
| (c) Ethically upright behavior | (d) Individual behaviour |

5. The ethical conduct of employees leading to standard practices results in

- | | |
|----------------------|------------------------------------|
| (a) good behavior | (b) bad behaviour |
| (c) ethical behavior | (d) correct decision making |

II. Very Short Answer Questions**1. What is Ethics? (JUNE-2019)**

- ♥ Ethics is derived from the Greek word 'ethos' which means a person's fundamental orientation towards life.
- ♥ It governs the behaviour, derived from the moral standards which help to determine right or wrong, good or evil.

2. Write any two key elements of Business Ethics.**1. Top Management Commitment**

- ♥ The top level personnel in any organisation should work openly and strongly committed towards ethical conducts and guide people working at middle and low level to follow ethical behaviour.

2. Publication of a "Code"

- ♥ Generally organisations formulate their own ethical codes for the conduct of the enterprise; it should followed by the employees of the organisation.
- ♥ The organisation principles are defined in the written document called code.

3. Define Corporate governance. (MAR-2023)

- ♥ "Corporate governance is about promoting fairness, transparency and accountability."

-World Bank

(OR)

- ♥ "Corporate governance is defined as the system by which companies are directed and controlled."

- Cadbury committee

III. Short Answer Questions**1. What do you mean by the concept of Business Ethics?**

- ♥ Business exists to supply goods and services to the people from social point of view but from individual point of view, the primary objective of any business unit is to make profit.
- ♥ The subject matter of ethics is concerned with establishing linkages between individual good and social good.
- ♥ Ethical standards are often enacted into laws.

2. Why MNC's in India? (any 3)

- ♥ India has a huge market
- ♥ It is one of the fastest growing economies in the world.
- ♥ Favorable policies of the government towards FDI.
- ♥ Financial liberalization of the country after 1991.

IV. Long Answer Questions**1. Explain the different key elements of Business Ethics. (JUNE-2019,MAR-2020,MAR-2023)**

- | | |
|------|--|
| i. | Top Management Commitment |
| ii. | Publication of a "Code" |
| iii. | Establishment of Compliance Mechanism |
| iv. | Involving Employees at All Levels |
| v. | Measuring Results |

1. Top Management Commitment

- ♥ The top level personnel in any organisation should work openly and strongly committed towards ethical conducts and guide people working at middle and low level to follow ethical behaviour.

2. Publication of a "Code"

- ♥ Generally organisations formulate their own ethical codes for the conduct of the enterprise; it should be followed by the employees of the organisation.
- ♥ The organisation principles are defined in the written document called code.

3. Establishment of Compliance Mechanism

- ♥ To make sure that actual decisions match with a firm's ethical standards, suitable mechanism should be established.
- ♥ Any organisation following ethical codes in training, recruitment, selection etc., is sure to be profitable.

4. Involving Employees at All Levels

- ♥ It is the employees at different levels who implement ethics policies to make ethical business a reality.
- ♥ Therefore, their involvement in ethics programmes becomes a must.

5. Measuring Results

- ♥ The organisations from time to time keep a check on ethical practise followed. Although it is difficult to accurately measure the end results of ethics programmes, the firms can certainly audit to monitor compliance with ethical standards.

2. What are the benefits of Corporate Governance? (any 5) (JUNE 2023)

- ♥ Ensures stable growth of organizations.
- ♥ Aligns the interests of various stakeholders.
- ♥ Reduces the cost of capital for companies.
- ♥ Has a positive impact on the share price
- ♥ Eliminates wastages, corruption, risks and mismanagement.
- ♥ Improves the image of the company.

UNIT VI BUSINESS FINANCE

CHAPTER 19 SOURCES OF BUSINESS FINANCE

I. Choose the Correct Answer

1. What is defined as the provision of money at the time when it is required?
a. finance b. bank c. cash management d. none of these
2. Internal sources of capital are those that are _____
a. generated through outsiders such as suppliers
b. generated through loans from commercial bank c. generated through issue of shares
d. generated within the business
3. Debenture holders are entitled to a fixed rate of _____
a. Dividend b. Profits c. Interest d. Ratios
4. Public deposits are the deposits which are raised directly from _____
a. The public b. The directors c. The auditors d. The owners
5. Equity shareholders are the _____ of a company
a. Creditors b. Owners c. Debtors d. Employees

II. Very Short Answer Questions

1. Write a short notes on Debentures.

- ✱ Debentures are an important instrument for raising long term debt capital.
- ✱ A company can raise funds through issue of debentures which bear a fixed rate of interest.
- ✱ The individual or person subscribing to debentures is called debenture holder.
- ✱ Debenture holders do not have voting rights.

2. Name any two sources of funds classified under borrowed funds. (JUNE 2023)

- ✱ Debentures, loans from banks and financial institutions, public deposits, trade credit, lease financing, commercial papers, factoring, etc.

3. Write any two examples of Post Office Savings Schemes. (MAY-2022) ✎

- ✱ Post office savings Account
- ✱ Post office Recurring Deposit Account (RD)
- ✱ Post office Fixed Deposit Account (FD/TD)
- ✱ Post office Monthly Income Account Scheme (MIS)

III. Short Answer Questions

1. Define Business Finance.

- ✱ "The finance function is the process of acquiring and utilizing funds by a business."
– R.C. Osborn

2. What is Pledge? (OCT-2020) ✎

- ✱ A customer transfers the possession of an article with the creditor (banker) and receives loan.
- ✱ Till the repayment of loan, the article is under the custody of the borrower.
- ✱ If the debtor fails to refund the loan, creditor (banker) will auction the article pawned and adjust the outstanding loan from the sale proceeds.

3. Classify the sources of business finance on the basis of period. (AUG-2022, MAR-2023) ✎

- ✱ Short term finance ii. Medium term finance iii. Long term finance

IV. Long Answer Questions

1. Explain the kinds of sources of short term finance. (any 5)

i. Bank overdraft	ii. Discounting Bills of Exchange
iii. Mortgage	iv. Commercial Paper (CP)
v. Factoring	

1. Bank Overdraft:

- ✱ Bank overdraft refers to an arrangement whereby the bank allows the customers to overdraw the required amount from its current deposit account within a specified limit.
- ✱ Interest is charged only on the amount actually overdrawn.

2. Discounting Bills of Exchange

- ✱ When goods are sold on credit, the suppliers generally draw bills of exchange upon customers who are required to accept it.
- ✱ The duration of such bills of exchange may be ranging from 15 days to 180 days.
- ✱ Instead of holding the bills till the date of maturity, borrowers generally prefer to get them discounted with the bank.
- ✱ Discounting bills of exchange refers to an act of selling a bill to obtain payment for it before its maturity.

3. Mortgage

- ✖ This is a type of loan taken from the bank by lodging with the banker title deeds of **immovable assets** like land and building.
- ✖ Business people raise loans by depositing the title deeds of the properties with the bank.

4. Commercial Paper (CP)

- ✖ Commercial paper (CP) is an unsecured money market instrument in the form of a promissory note.
- ✖ Corporates, Primary Dealers (PD), and All India Financial Institutions are eligible to issue Commercial Paper.
- ✖ It was introduced in India in 1990 under Section 45W of the Reserve Bank of India Act.
- ✖ It is issued by a firm to raise funds for a short period.
- ✖ It can be issued for maturities between a minimum of 7 days and a maximum of up to one year from the date of issue.

5. Factoring

- ✖ Factoring is one of the methods of raising business finance through sale or mortgage of book debts.
- ✖ Under this method, business concerns sell the accounts receivable to a finance company called a factor at a discount.

2. Explain any five personal investment avenues. (MAR-2020, MAY-2022)

- Public Provident Fund (PPF)**
- Mutual Funds**
- Bonds**
- Unit Linked Insurance Plans (ULIP)**
- Bank Deposits**

1. Public Provident Fund (PPF)

- ✖ It is the safest long-term investment option for the investors in India.
- ✖ It is totally tax free.
- ✖ 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.

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. Bonds

- ✖ Bonds are one of the ideal investment options for those investors who would like to invest their hard earned money safely.
- ✖ Bonds are issued both by government and public and private sector companies and financial institutions.
- ✖ Mostly there are four types of bonds sold in India namely Government bonds, corporate bonds, Banks and other financial institutions bond and Tax saving bonds.
- ✖ Investment in bonds is totally risk free.

4. Unit Linked Insurance Plans (ULIP)

- ✖ ULIP is a life insurance linked product, which provides risk cover for the policy holder along with investment options to invest in any number of qualified investments such as stocks, bonds or mutual funds.

5. Bank Deposits

- ✖ Fixed deposits (FD) enable the investor to invest the money for a specific period.
- ✖ The Fixed deposit can be opened from a minimum period of 7 days to a maximum period of 10 years.
- ✖ The fixed deposit holder can take loan against the fixed deposit receipt.
- ✖ The depositor cannot withdraw the fixed deposits before the maturity date.
- ✖ Recurring deposit (RD) account is another investment option for those people who earn regular income.
- ✖ This deposit can be opened for a minimum period of 1 year to a maximum period of 10 years.
- ✖ The Recurring deposit holder can take loan against the installments paid.

UNIT VI BUSINESS FINANCE

CHAPTER 20 INTERNATIONAL FINANCE

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.
2. Issuance of DRs is based on the increase of demand in the
 - a. **International market**
 - b. Local market
 - c. Existing shareholders
 - d. All of the above
3. ADRs are issued in
 - a. Canada
 - b. China
 - c. India
 - d. **The USA**
4. 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.
5. _____ bond is a special type of bond issued in the currency other than the home currency.
 - a. Government Bonds
 - b. **Foreign Currency Convertible Bond**
 - c. Corporate Bonds
 - d. Investment Bonds

II. Very Short Answer Questions

1. Who are Foreign Institutional Investors?

- ♦ FIIs are the investments 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? (JUNE-2019, JUNE 2023)

- ♦ A depository receipt is a negotiable financial instrument issued by a bank to represent a foreign company's equity shares or securities.
- ♦ They are issued to attract a greater amount of investment from other countries.
- ♦ Any foreign investor can invest in a foreign stock directly without worrying about differences in currency, accounting practices, or language barriers, etc.

3. What is a 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.

4. What is American Depository Receipt (ADR)?

- ♦ ADR 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)

- ♦ International finance helps in calculating exchange rates of various currencies of nations.
- ♦ It helps in comparing the inflation rates and getting an idea about investing in international debt securities.
- ♦ It helps in ascertaining the economic status of the various countries and in judging the foreign market.
- ♦ International Financial Reporting System (IFRS) facilitates comparison of financial statements made by various countries.
- ♦ International finance organizations such as IMF, World Bank etc. mediate and resolve financial disputes among member nations.

2. What is meant by Foreign Currency Convertible Bonds? (MAR-2020)

- ♦ Foreign Currency Convertible Bond is a Special type of bond issued in the currency other than the home currency.

(OR)

- ♦ Companies issue foreign currency convertible bonds to raise money in foreign currency.

3. Explain any three disadvantages of FDI. (JUNE 2023)

1. Exploiting Natural Resources:

- ♦ The FDI Companies deplete natural resources like water, forest, mines etc.
- ♦ As a result such resources are not available for the usage of common man in the host country.

2. Heavy Outflow of capital

- ◆ Foreign companies are said to take away huge funds in the form of dividend, royalty fees etc.
- ◆ This causes a huge outflow of capital from the host country.

3. Not Transferring Technology

- ◆ Some foreign enterprises do not transfer the technology to developing countries.
- ◆ They mostly transfer second hand technology to the host country.

IV. Long Answer Questions**1. Distinguish between GDR and ADR. (any 5) (JUNE-2019,MAR-2023)**

S. No	Basis	Global Depository Receipts (GDR)	American Depository Funds (ADR)
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 across more markets Simultaneously	It is issued only to investors, who are residents of the United States of America.
3	Listed in	Non-US Stock Exchange such as London Stock Exchange or Luxemburg Stock Exchange.	American stock exchange
4	Approval	Issue of GDR does not require foreign regulatory clearances.	Issue of ADR requires approval from the Securities Exchange Commission of United States of America.
5	Negotiation	It is negotiable all over the World.	It is negotiable only in America

2. State any five features of FCCB. (any 5)

- ◆ FCCB is issued by an Indian company in foreign currency.
- ◆ These are listed and traded in foreign stock exchange and similar to the debenture.
- ◆ It is a convertible debt instrument. It carries interest coupon. It is unsecured.
- ◆ It gives its holders the right to convert for a fixed numbers of shares at a predetermined price.
- ◆ It can be converted into equity or depository receipt after a certain period.
- ◆ The amount received from the issue of FCCB should be utilised as per the guidelines of External Commercial Borrowing (ECB).

UNIT VI BUSINESS FINANCE**CHAPTER 21 MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) AND SELF HELP GROUPS (SHGs)****I. Choose the Correct Answer****1. MSMED Act was enacted in the year**

- (a) 2004 (b) 2007 (c) **2006** (d) 2008

2. MSMEs are important for the nation's economy because they significantly contribute to

- (a) industrial production (b) exports
(c) employment (d) **all the above**

3. Self help groups convert the savings into a common fund known as

- (a) Common fund (b) **Group corpus fund**
(c) Group fund (d) none of the above

4. There are _____ distinct modes of credit to Self Help Groups.

- (a) 1 (b) 2 (c) **3** (d) 4

5. Investment limit of a micro enterprise under manufacturing sector does not exceed _____ lakhs

- (a) 10 (b) 20 (c) **25** (d) 50

II. Very Short Answer Questions**1. Give some examples for micro enterprises. (MAR-2019,MAR-2023)**

- ✱ Clay pot making, Fruits and Vegetables vendors, Transport, Repair shops, Cottage Industries, Small Industries, Handlooms, Handicraft works etc

2. What is the aim of NEEDS?

- ✱ Government of Tamil Nadu launched "New Entrepreneur-cum-Enterprise Development Scheme (NEEDS)" with a view to encouraging the educated youth to become the first generation entrepreneurs.
- ✱ The Scheme envisages providing entrepreneurship development training to educated young entrepreneurs, preparing business plans and helping them to tie up with financial institutions to set up new business ventures, besides linking them with major industrial clients.

3. What is a Self Help Groups?

- ✱ The Self Help Group represents an association of people formed to attain certain common goals.
- ✱ Self Help Group is a small informal voluntary association created for the purpose of enabling members to reap economic benefit out of mutual help, solidarity, and joint responsibility.
- ✱ The benefits include mobilization of savings and credit facilities for the pursuit of group enterprise activity.

III. Short Answer Questions**1. List out the products produced by MSME in Tamil Nadu.**

- ✱ In Tamil Nadu MSMEs sector produces a wide variety of products in almost all fields.
- ✱ The prominent among them are the textile, electronic products, engineering products, auto ancillaries, leather products, chemicals, plastics, garments, jewellery etc.
- ✱ There are 12.94 Lakh registered number of units of MSMEs in the State, providing an employment opportunities to about 81 Lakh people.

2. What is the role and significance of MSMEs in Indian Economy?**1. Employment Potential****2. Low Production Cost****3. Low Investment****4. Quick Decision Making****5. Supplementary Role****6. Higher Contribution to Manufacturing and Export****1. Employment Potential**

- ✱ MSMEs generate more employment opportunities than large business concerns.

2. Low Production Cost

- ✱ MSMEs do not require skilled labourers or professionals to run the organisation. It employs cheap labour and thus minimizes the overhead.

3. Higher Contribution to Manufacturing and Export

- ✱ MSMEs contribute 45% to the total manufacturing output and 40% to the exports from the country.
- ✱ It helps in earning precious foreign exchange in various countries across the world.

3. Explain any three features of Self Help Group. (JUNE-2019,MAY-2022) ✎

- ✱ The motto – "saving first – credit latter".
- ✱ Homogeneous in terms of economic status.
- ✱ Members – 10 and 20.
- ✱ Need not be registered.
- ✱ Only one member from one single family.
- ✱ Exchange of their views and ideas freely.

IV. Long Answer Questions**1. Explain MUDRA Bank. (AUG-2022) ✎****✱ Micro Units Development Refinance Agency (MUDRA bank)**

- ✱ The Government of India has launched MUDRA Bank with a capital amount of ₹20,000 crore, and credit guarantee corpus of ₹3,000 crore, to help Micro Small and Medium Enterprises (MSMEs) and startups to resolve problems relating to financing.
- ✱ MUDRA Bank refines micro-Finance Institutions through a Pradhan Mantri Mudra Yojana (PMMY).
- ✱ These measures will greatly increase the self confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs.

2. What are the objectives of SHGs? (any 5) (SEP-2021,AUG-2022) ✎

- ✱ Focusing on empowerment of women.
- ✱ Saving people from the clutches of money lenders
- ✱ Building capacity of women and to enable them to participate in generating activities.
- ✱ Creating the habit of saving in the minds of the people who are economically backward.
- ✱ Promoting entrepreneurship skills among women.

UNIT VII TRADE

CHAPTER 22 TYPES OF TRADE

I. Choose the Correct Answer

1. The purchase of goods from a foreign country is called -----
 a. Import b. Export c. Entrepot d. Re-export
2. When goods are imported for the purpose of export it is called as -----.
 a. Foreign Trade b. Home Trade
 c. Entrepot d. Trade
3. ----- acts as a connective link between the producer and the consumer.
 a. Trade b. Industry c. Commerce d. Business
4. The aim of home trade is -----.
 a. To raise the standard of living
 b. To provide the essential goods and services economically
 c. To raise the national income
 d. To obtain all types of goods.
5. Internal trade can be classified into -----categories
 a. Three b. Four c. Two d. Five

II. Very Short Answer Questions

1. Give the meaning of Trade.

- The buying and selling of goods and services consists of trade.
- Trade is conducted in order to earn profit.
- Trade acts as an intermediary in the exchange of commodities between the producer and consumer.

2. What is International Trade?

- Foreign trade is a trade between a seller and buyer of different countries.
- It involves the exchange of goods and services of one country with another country.
- Mostly shipping and air transports are used for carriage of goods in international trade.
- **E.g., Petrol and Aeroplanes.**

3. What is Import Trade?

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

4. Explain the meaning of 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'.

III. Short Answer Questions

1. Explain the types of Internal trade. (AUG-2022) ✎

- Buying and selling of goods and services within the boundaries of a nation are called internal trade.
- It takes place between buyers and sellers in the same locality, village, town or city or in different states, but definitely within the same country.
- Internal trade is also called domestic trade or home trade.

2. Give three examples of India's Import and Exports items. (MAR-2023) ✎

Export items:

1. Petroleum products, 2. Jewelry, 3. Automobile, 4. Bio-chemicals,
5. Pharmaceuticals

Import items:

1. Mineral fuels including oil, 2. Gem, Precious metals,
3. Electrical machinery and equipment's,
4. Machinery including computers, 5. Organic chemicals

IV. Long Answer Questions

1. What are the features of Internal trade? (any 5) (MAR-2020, MAY-2022) ✎

- Buying and selling, within the same country.
- Local currency is used
- Transactions between the producers, consumers and the middlemen.
- The risk of transportation is very less
- Laws prevailing in that country only have to be followed.
- It does not involve any custom/import duty.

2. Explain briefly the different types of Foreign Trade. (MAR-2019, MAR-2023)**A. Import Trade:**

- Import trade means buying goods from a foreign country for domestic use.
- **Example, India imports petroleum products from Gulf Countries.**
- India imports machinery, equipment, materials etc.
- It is necessary to speed-up industrialization, to meet consume 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**

- To make better utilization of resources, to earn foreign exchange, to increase national income, to generate employment and to increase Government revenue

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 raw 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.

UNIT VII TRADE**CHAPTER 23 CHANNELS OF DISTRIBUTION****I. Choose the Correct Answer**

1. Trade middleman who acts as a link between wholesaler and customers refers to a -----

- a. Producer b. Broker c. **Retailer** d. Customer

2. Who is the first middleman in the channel of distribution?

- a. **Wholesaler** b. Producer c. Retailer d. Customer

3. ----- buy the goods from the producer and sell it to the retailers.

- a. Manufacturer b. **Wholesaler** c. Retailer d. consumers

4. ----- are agents who merely bring the buyer and the seller into contact.

- a. **Broker** b. Commission agent
c. Selling agent d. stockiest

5. Merchant middlemen can be classified into ----- categories.

- a. Three b. **Two** c. Five d. Four

II. Very Short Answer Questions

1. Who is a middleman? (MAR-2023)

- ⊗ The term 'Middleman' refers to all those who are in the link between the primary producer and the ultimate consumer.

2. Define Retailer. (JUNE-2019)

- ⊗ According to Cundiff and Still "a retailer is a merchant or occasionally an agent whose main business is selling directly to the ultimate consumers".

3. Who is a Broker? (SEP-2021)

- ⊗ A Broker is one who bargains for another and receives commission for his service.
- ⊗ He is paid 'brokerage' for his services.
- ⊗ The broker is not personally liable for the contracts concluded.

4. What are the classifications of the merchant middlemen?

- ⊗ Merchant middleman can be further sub- divided into:
- ⊗ Wholesaler ⊗ Retailer

5. Who are the mercantile agents?

- ⊗ Mercantile Agents are also called functional middlemen.
- ⊗ A businessman appoints a person to buy and sell goods on his behalf and gives him the right to borrow money on the security of goods. He is known as mercantile agent.

III. Short Answer Questions

1. Explain the types of mercantile agents. (OCT-2020)

- ⊗ Brokers ⊗ Factors
- ⊗ Commission Agents ⊗ Del-Credere Agents
- ⊗ Auctioneers ⊗ Warehouse keepers.

2. Explain any three characteristics of wholesalers. (MAR-2019,MAY-2022)

- ⊗ Buy goods directly from producers or manufacturers,
- ⊗ Buy goods in large quantities and Sell in smaller quantities,
- ⊗ They need large amount of capital,
- ⊗ They provide credit facility to retailers,
- ⊗ They provide financial assistance to the producers or manufacturers,
- ⊗ Located in one particular area of the market.

IV. Long Answer Questions**1. What are the characteristics of retailers? (JUNE 2023)**

- ⊗ Retailer generally involves dealing in a variety of items.
- ⊗ A retailer makes purchases from producers or wholesalers in bulk for sale to the end consumers in small quantities.
- ⊗ Retail trade is normally carried on in or near the main market area.
- ⊗ Generally, retailers involve buying on credit from wholesalers and selling for cash to consumers.
- ⊗ A retailer has indirect relation with the manufacturer (through wholesalers) but a direct link with the consumers.

2. What are the characteristics of Wholesalers? (any 5) (JUNE-2019,AUG-2022)

- ⊗ Wholesalers buy goods directly from producers or manufacturers,
- ⊗ Wholesalers buy goods in large quantities and sell in relatively smaller quantities,
- ⊗ Wholesalers sell different varieties of a particular variety of product,
- ⊗ They employ a number of agents or workers for distribution of products
- ⊗ They generally provide credit facility to retailers,

3. Distinguish between wholesaler and retailers? (any 5)

S.No	Basis of Distinction	Wholesaler	Retailer
1	Link	A wholesaler serves as a link between producers and retailers.	A retailer provides a link between wholesalers and consumers.
2	Scale of operation	A wholesaler carries on business on a large scale.	A retailer, on the other hand, deals generally on a small scale.
3	Range of goods	a wholesaler generally deals in one commodity	a retailer deals in a large variety goods.
4	Dealing	A wholesaler generally sells goods to retailers on credit.	A retailer usually sells goods to end consumers on cash basis.
5	Purpose of selling	A wholesaler sells goods for resale.	A retailer sells goods for ultimate consumption

UNIT VII TRADE
CHAPTER 24 RETAILING

I. Choose the Correct Answer

1. Retailers deal in _____ quantity of goods
a) Small b) Large c) Medium d) Limited
2. Small scale Fixed retailers include _____
a) General stores b) Pedlars
c) Cheap Jacks d) Hawkers
3. Small shops which deal in a particular line of products are called as ____
a) Market traders b) Single line stores
c) Sugar market d) Street stalls
4. _____are mobile traders who deal in low priced articles with no fixed place of business.
a) Shopping malls b) Super markets
c) Street stalls d) Itinerant traders

II. Very Short Answer Questions**1. State the meaning of Multiple shops.**

- ✱ A number of identical retail shops with similar appearance normally deal 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. They deal only in particular line of product and specialise in the same. For **example:** Bata.

2. What is meant by Vending machines?

- ✧ The buyer inserts the coin or the tokens into the machine and receives a specified quantity of a product from the machine.
- ✧ **Example** Aavin Dairy Milk through AVMs

3. What are Specialty stores? (MAR-2019,AUG-2022,JUNE 2023) ✎

- ✧ Speciality stores deal in a particular type of product under one product line only.

III. Short Answer Questions**1. Explain the characteristics of Super markets. (any 3) (MAR-2019,OCT-202,SEP-2021,JUNE 2023) ✎**

- ✧ The goods are sold on cash basis only.
- ✧ No credit facilities are made available.
- ✧ Supermarkets are organised on departmental basis.
- ✧ It requires huge investment.

2. Explain the demerits of Multiple shops. (any 3) (MAY-2022) ✎

- ✧ Limited variety,
- ✧ Absence of services,
- ✧ Lack of personal touch,
- ✧ Inflexibility

IV. Long Answer Questions**1. State the features of Departmental stores. (MAR-2019,SEP-2021,JUNE 2023) ✎****i. Large Size:**

- ❖ A department is a large scale retail showroom requiring a large capital investment by forming a joint stock company managed by a board of directors.

ii. Wide Choice:

- ❖ It acts as a universal provider of a wide range of products from low priced to very expensive goods (Pin to Car) to satisfy all the expected human needs under one roof.

iii. Departmentally organised

- ❖ Goods offered for sale are classified into various departments.
- ❖ Each department specialises in one line of product and operates as a separate unit.

iv. Facilities provided:

- ❖ It provides a number of facilities and services to the customers such as restaurant, rest rooms, recreation, packing, free home delivery, parking, etc.

v. Centralised purchasing

- ❖ All the purchases are made centrally and directly from the manufacturers and operate separate warehouses whereas sales are decentralised in different departments.

2. Explain the different types of Retailers. (any 5) (AUG-2022,MAR-2023) ✎

- i. Itinerant or Mobile Traders,**
- ii. Fixed shop small retailers,**
- iii. Fixed shop large scale retailers**

I. Itinerant or Mobile Traders

- ❖ The traders who have no fixed place of sale are called **Itinerants**.
- ❖ They move from one place to another place in search of customers.
- ❖ They are also known as Mobile traders.
- ❖ **Mobile traders** deal in low price, daily usable items such as fruits, vegetables, fish, clothing, books, etc. They require small amount of investment.

II. Fixed Shop Retailers

- ❖ The retailers who maintain permanent establishment to sell their goods are called **Fixed Shop Retailers**.
- ❖ They do not move from place to place to serve their customers.
- ❖ The fixed shop retailers can be classified into two types on the basis of the size of their operations.
- ❖ They are: a. Fixed Shop Small Retailers and b. Fixed Shop Large Retailers

III. Fixed Shop Large Retailers

- ❖ The retailers having permanent establishment and dealing in large scale are called Fixed shop large scale retailers.
- ❖ They are popular due to urbanisation, modernisation and other reasons.

UNIT VIII INTERNATIONAL BUSINESS

CHAPTER 25 INTERNATIONAL BUSINESS

I. Choose the Correct Answer

1. **Movement of goods, services, intellectual property, human assets, technology and so on among the countries.**
 - (a) International Trade
 - (b) International business
 - (c) Entrepot Trade
 - (d) Internal trade
2. **Goods are imported for purpose of re-export to another country is termed as _____.**
 - (a) Import Trade
 - (b) Export Trade
 - (c) Entrepot Trade
 - (d) International trade
3. **Movement of goods, services among the countries.**
 - (a) International Trade
 - (b) International business
 - (c) Entrepot Trade
 - (d) Internal trade
4. **Selling of goods from home country to foreign country is called**
 - (a) Home Trade
 - (b) Entrepot Trade
 - (c) Foreign Trade
 - (d) Joint Venture

II. Very Short Answer Questions

1. **What do you mean by International business?**
 - International business denotes all those business activities which take place beyond the geographical limits of the country.
2. **What is meant by Export Trade? (JUNE-2019)**
 - Importing of goods from one country and exporting the same to foreign/other countries.
3. **What is meant by Import Trade? (AUG-2022)**
 - When the business firm of a country purchases goods from the firm of another country it is called import trade.
 - For example when Indian enterprise purchases petroleum products, electrical goods, machinery, and medical equipments etc., from other countries, it is termed as Import Trade
4. **What is meant by Entrepot Trade? (MAY-2022)**
 - When the firm of country imports goods for the purpose of exporting the same goods to the firms of some other country with or without making any change in the goods meant for export it is known as entrepot trade
 - For example, If an Indian company imports crude oil from Iran and exports it as petroleum after refining it in India, to Nepal it is called Entrepot trade.

III. Short Answer Questions

1. **Explain any three features of International business. (SEP-2021)**
 - (a) **Involvement of Countries.**
 - International business can take place only when transactions occur across different countries
 - (b) **Use of Foreign Exchange.**
 - Where countries trade with one another, it has to exchange the goods and services on the basis of foreign currency.
 - (d) **Heavy Documentation Work.**
 - International business necessitates fulfillment of a lot of formalities.
2. **Explain the features of Entrepot trade. (JUNE 2023)**
 - Import duty is not levied on such goods
 - These goods are reprocessed and repacked for re- export
 - Such goods are kept in the Bonded warehouse till they are re-exported.

IV. Long Answer Questions

1. **List out the advantages of International trade. (any 5) (OCT-2020)**

1. Geographical Specialization	2. Optimum use of Natural Resources
3. Economic Development.	4. Generation of Employment.
5. Higher Standard of Living.	

1. Geographical Specialization

- International business is required to exchange the surplus resources resulting from geographical specialisation for deficit resources in other countries

2. Optimum use of Natural Resources

- International business operates on a simple principle that a country which can produce more efficiently and trade the surplus production with other countries has to procure what it cannot produce more efficiently.

3. Economic Development.

- International business helps the developing countries greatly in achieving rapid economic development by importing machinery, equipment, technology, talent, and so on.

4. Generation of Employment.

- International business generates employment opportunities by assisting the expansion and growth of agricultural and industrial activities.

5. Higher Standard of Living.

- This exchange of goods and services among the countries enhances the standard of living of people.

2. Distinguish between internal and international trade. (any 5) (MAR-2019,AUG-2022,JUNE 2023)

Basis	Domestic Business	International Business
1. Meaning	The business transactions transacted within the geographical boundaries of a country	The business transactions transacted in beyond the boundaries of a country
2. Participants in Business	People/Organizations within the country participate in business activities	People/Organizations 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. Business System	Domestic business is governed by the rules, laws, policies taxation system of a single country	International business is governed by rules, laws and policies ,tariffs and quotas etc., of multiple Countries
5. Currency Used	Domestic business transactions are settled by local currency of a country.	International business transactions are settled by foreign currencies.

UNIT VIII INTERNATIONAL BUSINESS
CHAPTER 26 EXPORT AND IMPORT PROCEDURES

I. Choose the Correct Answer**1. EPC stands for**

- a) Export processing commission
 c) Export Carriage council

- b) Export Promotion Council**
 d) Export Promotion Congress

2. STC is expansion for

- a) State Training Centre
 c) State Trading Centre

- b) State Training Council
d) State Trading Corporation

3. An ----- is document prepared by importer and sent to the exporter to buy the goods

- a) Invoice **b) Indent** c) Enquiry d) Charter Party

4. The ----- receipt is an acknowledgement of receipt of goods on the ship issued by the Captain

- a) Shipping Bill **b) Bill of Lading** c) Mate's Receipt d) Consular Invoice

5. The Exporters appoint the ----- agent to fulfill the customs formalities

- a) Clearing Agent **b) Forwarding Agent**
 c) Commission Agent d) Factor

II. Very Short Answer Questions**1. What is meant by Indent? (MAR-2019,JUNE 2023)**

- ♣ An indent is an order received from abroad for export of goods.

2. Mention the types of Indent.

- ♣ Open indent, ♣ Closed indent ♣ Confirmatory indent.

3. What is meant by Letter of Credit?

- ♣ Letter of Credit (LC) is an undertaking by its issuer (importer's bank) that bills of exchange drawn by the foreign dealer on the importer will be honoured upon its presentation by exporter's bank up to a specified amount.

III. Short Answer Questions**1. What are the contents of Indents? (any 3) (JUNE-2019)**

- ♣ Quantity of goods sent ♣ Design of goods ♣ Price
- ♣ Nature of packing shipment ♣ Mode of shipment ♣ Period of delivery
- ♣ Mode of payment

2. What is meant by Mate's Receipt?

- ♣ Mate's Receipt is the document issued by the captain of the ship acknowledging the receipt of goods on board by him to the port of specified destination.
- ♣ This contains details like quantity of goods shipped, number of packages condition for packing. etc., where the Mate is satisfied with packing him/she issues clean receipt.
- ♣ If he/she is not satisfied with packing, he/she issues foul receipt.

3. What are the documents used in Import Trade? (any 3)

- ♣ Import License (IEC) ♣ Indent ♣ Letter of Credit

IV. Long Answer Questions**1. What are the objectives of Import trade?**

- | | |
|--|---|
| 1. Achieving Rapid Industrialization
3. Upgrading Standard of Living of the People
5. Strengthening Defence | 2. Meeting Consumer Demand
4. Meeting Shortage Situation |
|--|---|

1. Achieving Rapid Industrialization

- ♣ Developing countries can achieve rapid industrialisation by importing advanced technology scarce raw materials, capital goods like machinery equipment, etc., and talents from other countries.

2. Meeting Consumer Demand

- ♣ Certain goods are either not available or cannot be manufactured / produced adequately to meet the growing demand in home country.
- ♣ Hence import is necessary to meet the short supply of those goods.

3. Upgrading Standard of Living of the People

- ♣ Consumers are able to use a wide variety of goods like cell phone, car laptop, television audio system, washing machine, perfume, soaps, etc., manufactured in foreign countries and enhance their standard of living through import trade.

4. Meeting Shortage Situation

- ♣ During famine, earthquake, flood draught, tsunami, abnormal price-increase situation and so on food grains, vegetables and other essential commodities are imported from foreign countries and bad situation arising from the above situations are thus overcome.

5. Strengthening Defence

- ♣ Many countries around the world import defence equipments for its armed force.
- ♣ Such imports enable the country to ensure its sovereignty and territorial integrity.

2. Distinguish between Bill of Lading and Charter Party. (MAR-2019,OCT-2020)

S. No	Basis	Bill of Lading	Charter Party
1.	Meaning	This represents a document acknowledging 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 third party
3.	Loan	Loan can be raised against it	Loan cannot be raised against it
4.	Crew	Master and crew remain the agent of 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

UNIT VIII INTERNATIONAL BUSINESS
CHAPTER 27 FACILITATORS OF INTERNATIONAL BUSINESS

I. Choose the Correct Answer**1. General Agreement on Tariff and Trade was signed on**

- a. **30-October-1947** b. 29-October-1947 c. 28-October-1947 d. 26-October-1947

2. WTO was established on

- a. 1-1-1996 b. 1-1-1997 c. **1-1-1995** d. 1-1-1994

3. The headquarter of WTO is located at

- a. New York b. London c. **Geneva** d. Brazil

4. The day to day administration of WTO is entrusted with

- a. Executive Council b. **General Council**
 c. Administrative Council d. General Body

5. World bank is located at

- a. **Washington DC** b. New York c. Tokyo d. Hongkong

II. Very Short Answer Questions.**1. What is WTO? (MAR-2023)**

- ✱ The World Trade Organisation (WTO) was established on 1st January 1995.
- ✱ The GATT was renamed as WTO with some changes.
- ✱ WTO has 164 member countries as on 29th July 2016.

2. What do you mean by World Bank? (OCT-2020)

- ✱ International Bank for Reconstruction and Development is commonly known as World Bank.
- ✱ It was set up in 1944 in order to reconstruct and rehabilitate First World War affected countries of Europe and assist in the development of developing countries.
- ✱ It is located at Washington DC.

3. What is Special Drawing Rights?

- ✱ SDR was created by the IMF in the year 1969 as supplementary international reserve asset.
- ✱ It is described as paper gold.
- ✱ The value of SDR is regularly posted daily in IMF website.

III. Short Answer Questions**1. Write any three objectives of IMF.**

- ✱ Promoting international monetary cooperation
- ✱ Ensuring balanced international trade
- ✱ Ensuring exchange rate stability
- ✱ Minimizing imbalance in quantum and duration of balance of payment.

2. Mention the functions of SAARC. (any 3)

- ✱ Monitoring and co-ordinating the development programme
- ✱ Determining inter-sectoral priorities
- ✱ Mobilizing cooperation within and outside the region.
- ✱ Dealing with modalities of financing

3. Write any three benefits of WTO.

- ✱ WTO is promoting international peace and creating a conducive environment for conducting international trade
- ✱ It settles the trade disputes amicably among the member countries.
- ✱ It promotes the standard of living of people by increasing their income level from free trades
- ✱ WTO has removed quantitative restrictions and non-tariff barriers.
- ✱ WTO is committed to protecting free trade. It has framed rules on subsidies and dumping.

IV. Long Answer Questions.**1. Point out the objectives of WTO. (any 5)**

- ✱ Improving the standard of living of people in member countries
- ✱ Making optimum utilization of world's resources for sustainable development of member countries.
- ✱ Promoting an integrated more viable and durable trading system in the sphere of international business
- ✱ Expansion of trade in goods and services
- ✱ Ensuring full employment and large steady growth volume of real income and effective demand
- ✱ Protecting the environment

2. Write down the functions of IMF. (any 5) (MAR-2023)

- ✦ It acts as short term credit institution at the international level.
- ✦ It provides machinery for ordinary adjustments of exchange rates.
- ✦ It has a reservoir of currencies of the member countries from which a borrower can borrow currencies of other nations.
- ✦ It promotes economic stability and global growth by encouraging countries adopt sound economic and financial policies.
- ✦ It helps member countries correct their imbalance in balance of payment.

UNIT VIII INTERNATIONAL BUSINESS**CHAPTER 28 BALANCE OF TRADE AND BALANCE OF PAYMENTS****I. Choose the Correct Answer**

1. The Statement which discloses a record of transactions between the residents of one country and residents of foreign country.

(a) Balance of Payment

(b) Balance of Trade

(c) Statement of Receipts and Payments

(d) Accounting Statement

2. 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

3. Foreign capital long- term loan and foreign currency reserve are recorded under

(a) Official Capital

(b) Private Capital

(c) Banking Capital

(d) Both Private and Official Capital

4. The term official capital includes

(a) RBI holdings of foreign currencies

(b) Special Drawing Rights held by the Government

(c) Both A and B

(d) Foreign Investment

5. Balance of payments surplus indicates

(a) Exports are more than the Imports

(b) Imports are more than Exports

(c) Exports and Imports are at Equilibrium

(d) Exports and Imports are above Equilibrium

II. Very Short Answer Questions

1. What do you mean by Balance of Payments?

- ♥ Balance of payment refers to a systematic record of all economic transactions between the residents of one country and the residents of foreign countries during a particular period of time. For example, one year.

2. What do you mean by Balance of Trade?

- ♥ Balance of trade denotes the difference between the value of import and the value of export during a year.
- ♥ If the export of a country exceeds its imports, it shows favourable balance of trade.
- ♥ If the import exceeds the exports, it shows unfavorable balance of trade.

III. Short Answer Questions

1. What are the credit items shown in current accounts? (any 3)

- ♥ Goods Export(visible)
- ♥ Invisible Exports
- ♥ Transport service sold abroad
- ♥ Banking service sold abroad
- ♥ Insurance service sold abroad
- ♥ Expenses incurred by foreign tourists in India

2. State the components of Capital account. (JUNE 2023)

- ♥ Private Capital
- ♥ Banking Capital
- ♥ Official Capital

1. Private Capital

- ♥ Private capital consists of foreign investments, long term loan and foreign currency deposits

2. Banking Capital

- ♥ Banking capital includes movement into external financial asset and liabilities commercial and co-operative banks authorized to dealing in foreign exchange

3. Official Capital

- ♥ It includes RBI's holdings of foreign currency and special drawing rights (SDR) held by the Government

IV. Long Answer Questions**1. Write any five features of Balance of Payments. (MAR-2020,MAR-2023)**

- ♥ It is a systematic record of all economic transactions between one country and certain other countries of the world
- ♥ It is prepared for a period of three months or twelve months, i.e., usually 12 months
- ♥ It contains all receipts and payments both visible and invisible
- ♥ It includes all economic transactions both recorded on current account and capital account
- ♥ 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
- ♥ It indicates a country's position in foreign trade

2. Distinguish between balance of payment and balance of trade.**(any 5) (MAR-2019)**

S.No	Nature	Balance of Payment	Balance of Trade
1.	Nature of Transactions Recorded	It records both the transactions relating to goods and services	It records only transactions relating to merchandise , i.e. goods transactions
2.	Capital Transactions	It records capital transactions	It does not record capital Transactions
3.	Structure	It includes balance of trade. Balance of services, balance of unilateral transfer and balance of capital transactions	It is part of current account of BOP
4.	Net Position	It always remains balanced in the sense that receipt side is made equal to payment side	It may be at favorable or unfavourable or in equilibrium state.
5.	Indicator Economic status	It is true indicator of economic performance of an economy	It is not true indicator of economic prosperity or economic relations of country.

UNIT IX THE INDIAN CONTRACT ACT
CHAPTER 29 ELEMENTS OF CONTRACT

I Choose the Correct Answer**1. An agreement enforceable by law is a**

- (a) Enforceable acceptance (b) Accepted offer
 (c) Approved promise **(d) Contract**

2. Every promise and every set of promises, forming the consideration for each other, is an

- (a) Agreement** (b) Contract
 (c) Offer (d) Acceptance

3. Void agreement signifies

- (a) Agreement illegal in nature
(b) Agreement not enforceable by law
 (c) Agreement violating legal procedure
 (d) Agreement against public policy.

4. Acceptance to be valid must

- (a) Be absolute (b) Be unqualified
(c) Both be absolute & unqualified (d) Be conditional.

5. A contract with or by a minor is a

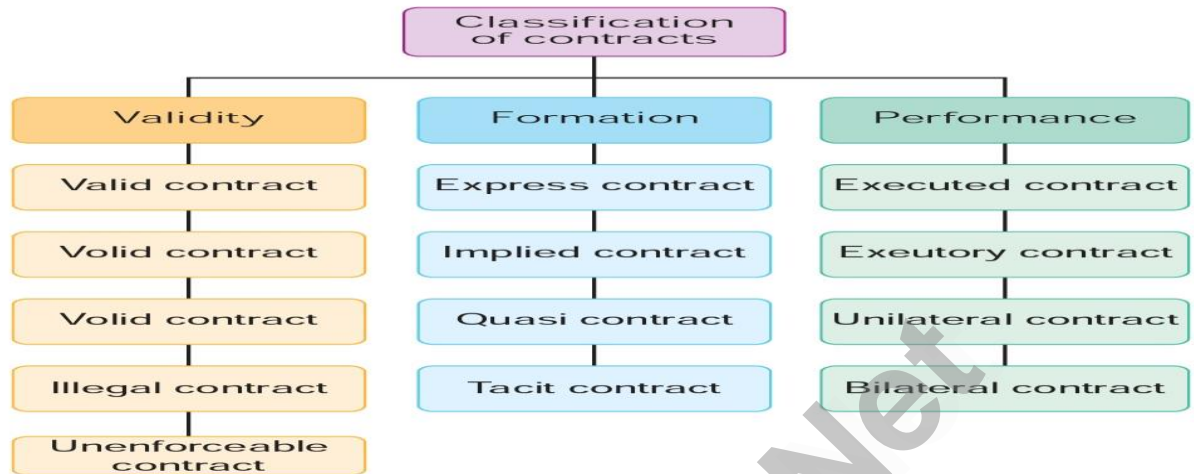
- (a) Valid contract **(b) Void contract**
 (c) Voidable contract (d) Voidable at the option of either party.

II Very Short Answer Questions**1. What is Law?**

- ♦ Law means a 'set of rules' which governs our behaviour and relating in a civilized society.
- ♦ So there is no need of Law in a uncivilized society.
- ♦ One to should know the law to which he is subjected to because ignorance of law is no excuse.

2. What is meant by Contract? (MAR-2019,AUG-2022,JUNE 2023)

- ♦ As per the Indian Contract Act, 1872, a "contract" is an agreement enforceable by law.
- ♦ The agreements not enforceable by law are not contracts.
- ♦ Contract = Agreement + Enforceability by law

3. How many parts of Indian Contract Law are classified?**III Short Answer Questions****1. What is meant by Offer? (SEP-2021)**

- ♦ **Offer (i.e. Proposal) [section 2(a)]** When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other person either to such act or abstinence, he is said to make a proposal.

2. What do you mean by Agreement? (JUNE-2019,OCT-2020,AUG-2022)

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

3. What is meant by Voidable Contract? (JUNE 2023)

- ♦ An agreement which is enforceable by law at the option of one or more parties but not at the option of the other or others is a voidable contract.
- ♦ This is the result of coercion, undue influence, fraud and misrepresentation.

IV Long Answer Questions**1. Explain the essentials of a Valid Contract. (any 5) (MAR-2020,MAY-2022)**

1. Offer and Acceptance
2. Legal Relationship
3. Lawful Consideration (quid pro quo)
4. Lawful Object (Section 23)
5. Free Consent (Section 13 & 14)

1. Offer and Acceptance

- ♦ There must be two parties to an agreement namely one party making the offer and the other party accepting it.

2. Legal Relationship

- ♦ The parties must have the intention to create legal relationship between them.
- ♦ An agreement of Social or domestic nature is not at all a contract.

3. Lawful Consideration (quid pro quo)

- ♦ As per Contract Act under Sec.2 (d) Consideration means something in return.
- ♦ A contract without consideration becomes invalid.

4. Lawful Object (Section 23)

- ♦ The object of agreement should be lawful and legal.

5. Free Consent (Section 13 & 14)

- ♦ Consent of the parties must be free and genuine.
- ♦ Consent means agreeing upon same thing in the same sense at the same time
- ♦ i.e. there should be consensus – ad – idem.

2. Difference between Contract and Agreement. (JUNE-2019,MAY-2020,AUG-2022,MAR-2023)

S. No	Basis	Contracts	Agreement
01	Definition	A contract is an agreement enforceable by law.	An agreement is every promise or every set of promises forming consideration
02	Enforceability	Every contract is enforceable	Every promise is not enforceable.
03	Inter relationship	A contract includes an agreement.	An agreement does not include a contract.
04	Validity	Only legal agreements are called contracts.	An agreement may be both legal and illegal.
05	Legal Obligation	Every contract contains a Legal obligation.	It is not necessary for every agreement to have legal obligation

3. Explain the classification of Contract on the basis of the Performance. (MAR-2019)

1. Executed Contract
2. Executory Contract
3. Unilateral Contract
4. Bilateral Contract

1. Executed Contract

- ♦ A contract in which both the parties have fulfilled their obligations under the contract.
- ♦ For example X contracts to buy a car from Y by paying cash, Y instantly delivers his car.

2. Executory Contract

- ♦ A contract in which both the parties are yet to fulfil their obligations, it is said to be an executory contract.
- ♦ For example A agrees to buy B's cycle by promising to pay cash on 15th June.
- ♦ B agrees to deliver the cycle on 20th June.

3. Unilateral Contract

- ♦ A unilateral contract is a one sided contract in which only one party has performed his promise or obligation, the other party has to perform his promise or obligation.
- ♦ For example X promises to pay Y a sum of Rs.10,000 for the goods to be delivered by Y. X paid the money and Y is yet to deliver the goods.

4. Bilateral Contract

- ♦ A contract in which both the parties commit to perform their respective promises is called a bilateral contract.
- ♦ For example R offers to sell his fiat car to S for Rs.10,00,000 on acceptance of R's offer by S, there is a promise by R to Sell the car and there is a promise by S to purchase the car, there are two promises.

UNIT IX THE INDIAN CONTRACT ACT

CHAPTER 30 PERFORMANCE OF CONTRACT

I Choose the Correct Answer

1. On the valid performance of the contractual obligations by the parties, the contract

- a. Is discharged
- b. Become enforceable
- c. Becomes void
- d. Becomes legal

2. Which of the following persons can perform the contract?

- a. Promisor alone
- b. Legal representatives of promisor
- c. Agent of the promisor
- d. All the above

3. A, B, C jointly promised to pay ₹50,000 to D. Before performance of the contract, C dies. Here, the contract

- a. Becomes void on C's death
- b. Should be performed by A and B along with C's legal representatives.
- c. Should be performed by A and B alone.
- d. Should be renewed between A, B and D.

4. Which of these parties cannot demand performance of promise?

- a. Promisee
- b. Any of the Joint Promisees
- c. On the death of a Promisee, his Legal Representative.
- d. Stranger to the Contract**

5. A person is said to be a third person if he is not a

- a. promisor
- b. promisee
- c. agent**
- d. Legal Representative

II Very Short Answer Questions**1. State the ways of Performing a Contract.****i. Actual Performance**

- * When the party has done what he had undertaken to do, it is called actual performance.

ii. Attempted Performance

- * When the party offers to perform his obligation, it is not accepted by the Promisee.
- * So, it is also called offer to performance or tender.

2. Who is a Legal Representative?

- * Legal representative can demand Exception performance.
- * Contrary intention appears from the contract. Contract is of a personal nature.

3. Who is an Agent?

- * According to Para 2 of Section 40, the promisor may employ a competent person such as agent to perform the promise, if the contract is not formed on personal condition.

4. What is meant by Reciprocal Promise?

- * Promises which form consideration or part of consideration for each other are called 'reciprocal promise'.
- * For example X promises to sell his house to Y for Rs.5,00,000.
- * The promises are reciprocal.

III Short Answer Questions**1. Who can demand performance? (MAR-2019, MAR-2020)**

- * Promise
- * Legal Representative
- * Third Party

2. Who will perform the contract?

- * Promisor himself (section 40)
- * Agent (section 40)
- * Representations (section 37)
- * Third Person (section 41)
- * Joint Promisors

3. What are the kinds of Reciprocal Promise? (MAR-2023)

- * Mutual and Independent
- * Mutual and Dependent
- * Mutual and Concurrent

IV Long Answer Questions**1. Explain the essentials of a valid tender of performance. (any 5)**

- * It must be unconditional
- * It must be for the whole obligation and must not be in instalments, if the contract requires in full.
- * It must be by a person who is in a position and willing to perform the promise.
- * It must be at the proper time and place.
- * It must be in proper form.
- * It may be made to one of the several joint promisees.

2. How do you think appropriation of payments takes place?**1. Appropriation of Payments****2. Application of payment where debt to be discharge is not indicated [60]****3. Application of payment where neither party appropriates [61]****1. Appropriation of Payments**

- * Sometimes, a debtor owes several distinct debts to the same creditor and he makes a payment which is insufficient to satisfy all the debts.
- * **For Example** X owes Y three distinct debts of ₹20,000, ₹30,000 and ₹50,000 X sends ₹50,000 and instructs Y that the payment should be appropriated against the third debt. He is bound to appropriate the payment against the third debt only.

2. Application of payment where debt to be discharge is not indicated [60]

- * If section 60 is attracted, the creditor shall have the discretion to apply such payment for any lawful debt which is due to him from the person making the payment.
- * **For Example** P owes to Q, among other debts, the sum of Rs.10,000. Q writes to P and demands payment of this sum. P sends to Q Rs.10,000. This payment is to be applied to the discharge of the debt of which Q had demanded payment.

3. Application of payment where neither party appropriates [61]

- * The payment shall be applied in discharge of the debts in order of time whether they are or are not based by the limitation Act 1963, if the debt are of equal standing (i.e. payable on the same date) the payment shall be applied in discharge of each of these debt proportionately.

UNIT IX THE INDIAN CONTRACT ACT
CHAPTER 31 DISCHARGE AND BREACH OF A CONTRACT

I. Choose the Correct Answer

- 1. On the valid performance of the contractual obligation by the parties, the contract**
 - a. Is discharged
 - b. Becomes enforceable
 - c. Becomes void
 - d. None of these
- 2. An agreement to do an act impossible in itself under Section.56 is**
 - a. Void
 - b. Valid
 - c. Voidable
 - d. Unenforceable
- 3. Any agreement which becomes impossible to perform under various circumstances**
 - a. Voidable
 - b. Void
 - c. Valid
 - d. None of these
- 4. Discharge by mutual agreement may involve**
 - a. Novation
 - b. Rescission
 - c. Alteration
 - d. All of the above
- 5. The compensation given for breach of contract is**
 - a. Damage
 - b. remuneration
 - c. Money
 - d. Cheque

II. Very Short Answer Questions

- 1. What are the kinds of consent?**
 - Express
 - Implied
- 2. What are the types of Impossibility of Performance?**
 - Impossibility existing at the time of agreement.
 - Impossibility arising subsequent to the formation of contract.
- 3. What are the types of Damages?**
 - Ordinary damages
 - Special damages
 - Vindictive or exemplary damages and
 - Nominal damages.

III. Short Answer Questions

- 1. What are the various types of remedies for the injured parties? (any 3) (MAY-2022)**
 - Rescission of contract
 - Claim for Specific Performance
 - Claim for Injunction
 - Claim for Quantum Merit and
 - Claim for Damages
- 2. What are the types of cases the court may order injunction?**
 - if the contract is voidable.
 - if the contract becomes void or
 - on discovering the contract as void.

IV. Long Answer Questions

- 1. Explain the ways of discharge of Contract.**

- | | |
|---|-----------------------------------|
| 1. Discharge by Performance | 2. By Agreement on Consent |
| 3. By Impossibility of Performance | 4. By Lapse of Time |
| 5. By Operation of Law: | |

1. Discharge by Performance

- Performance implies carrying out the obligation of the contract.
- Performance must be completed according to the real intentions of the agreement. Performance must be done according to time and manner prescribed. Performance of contract may be of two types namely
 - (i) Actual performance
 - (ii) Attempted performance

2. By Agreement on Consent

- Agreement between the parties comes to an end by mutually agreeing for it.
- Any contract is created by an agreement, hence in the same way, it can be discharged by an agreement.

3. By Impossibility of Performance

- A contract may be discharged if its performance becomes impossible.
- The rule of impossibility of performance is based on the following maxims
 - i) the law does not recognize what is impossible and
 - ii) what is impossible does not create an obligation.

4. By Lapse of Time

- According to the Limitation Act, 1963 a contract must be performed within a specified time.
- If it is not performed within this specified time limit and against which if no action is taken by the promisee in the Court of Law within specified time, then the promisee is deprived of his remedy at law. In such cases, the contract is discharged.

5. By Operation of Law:

- A contract can be discharged by the operation of law.
- The operation of law by which contract can be discharged are as follows
 - i) By Death ii) By Merger iii) By Insolvency iv) Unauthorized Alteration of the Terms of a Contract.

2. What is meant by damages and What are its types? (JUNE 2023)**(i) Recission of Contract****(ii) Claim for Specific Performance****(iii) Claim for Injunction****(iv) Claim for Quantum Merit****(v) Claim for damages****(i) Recission of Contract**

- In case of breach of contract by one party, then the other parties may rescind the contract and thereby the party is absolved from his all obligations under the contract.
- **For Example:** *M* promises *N* to supply him a motor car on 1st January 2017, and *N* promises to pay for the motor car on 1st January 2017. *N* is absolved from paying its price.

(ii) Claim for Specific Performance

- In some specific cases if the damages are not the adequate remedy, then the court can direct the party in breach for the specific performance of the contract. In such case, the promise is carried out as per terms and conditions of the contract.

(iii) Claim for Injunction

- Injunction is an order passed by a competent court restraining a person from doing some act.
- Injunction can be defined as a mode of securing the specific performance of the negative terms of a contract.

(iv) Claim for Quantum Merit

- The claim for quantum merit may arise if a contract performed by one party has become discharged by breach of the other party.
- The meaning of the phrase quantum merit is 'as much as earned'.

(v) Claim for damages

- Damages are a monetary compensation awarded by the court to the injured party for the loss or injury suffered by him.
- As per contract, one party can claim damages if other party breach the contract.
- The main purpose of awarding the damages is to make good the loss suffered by him. It is known as doctrine of restitution.

UNIT X DIRECT AND INDIRECT TAXES

CHAPTER 32 DIRECT TAXES

I. Choose the Correct Answer**1. Income Tax is**

- a) a business tax
- c) an indirect tax

b) a direct tax

d) none of these

2. Period of assessment year is

- a) 1st April to 31st March
- c) 1st July to 30th June

b) 1st March to 28th Feb

d) 1st Jan. to 31st Dec.

3. The year in which income is earned is known as

- a) Assessment Year
- c) Light Year

b) Previous Year

d) Calendar Year

4. The aggregate income under five heads is termed as

- a) Gross Total Income
- c) Salary Income

b) Total Income

d) Business Income

5. Agricultural income earned in India is

- a) Fully Taxable
- c) Not Considered for Income

b) Fully Exempted

d) None of the above

II. Very Short Answer Questions**1. What is Income Tax? (AUG-2022,MAR-2023)**

- ✓ 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.

2. What is meant by Previous year?

- ✓ The year in which income is earned is called previous year.
- ✓ It is also normally consisting of a period of 12 months commencing on 1st April every year and ending on 31st March of the following year.
- ✓ It is also called as financial year immediately following the assessment year.

3. What is an assessment year? (SEP-2021)

- ✓ The term has been defined under section 2(9).
- ✓ The year in which tax is paid is called the assessment year.
- ✓ It normally consisting of a period of 12 months commencing on 1st April every year and ending on 31st March of the following year.

III. Short Answer Questions**1. List out the five heads of income. (MAR-2019)**

- ✓ Income from Salaries (Sections 15 – 17)
- ✓ Income from "House Property" (Sections 22 – 27)
- ✓ Income from "Profit and Gains" of Business (or) Profession (Sections 28 – 44)
- ✓ Income from "Capital Gains" (Sections 45 – 55)
- ✓ Income from "other sources" (Sections 56 – 59)

2. Write short notes on: (JUNE-2019)**a) Direct tax b) Indirect tax****i. Direct Tax:**

- ✓ 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 e.g. Income-Tax, Wealth Tax etc.
- ✓ In India all direct taxes are levied and administered by Central Board of Direct Taxes.

ii. Indirect Tax:

- ✓ 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. e.g. GST.

3. Who are all included in the term person? (AUG-2022)

- ✓ an individual,
- ✓ a company,
- ✓ an Association Of Persons or a Body Of Individual, whether incorporated or not,
- ✓ a local authority, and
- ✓ every artificial juridical person e.g., an idol or deity.

IV. Long Answer Questions**1. Elucidate any five features of Income Tax. (SEP-2021,MAR-2023)**

- Profits and gains of business or profession.
- Dividend
- Voluntary contribution received by a charitable / religious trust or university/education institution or hospital/electoral trust
- Value of perquisite or profit in lieu of salary taxable u/s 17 and social allowance or benefit specifically granted either to meet personal expenses or for performance of duties of an office or an employment of profit.
- Export incentives, like duty drawback, cash compensatory support, sale of licenses, etc.,
- Interest, salary, bonus, commission or remuneration earned by a partner of a firm from such firm.
- Capital gain chargeable u/s 45.

UNIT X DIRECT AND INDIRECT TAXES
CHAPTER 33 INDIRECT TAXATION

I. Choose the Right Answer:**1. Who is the chairman of the GST council?**

- | | |
|-------------------|----------------------------|
| a) RBI Governor | b) Finance Minister |
| c) Prime Minister | d) President of India |

2. GST Stands for

- | | |
|----------------------------------|-------------------------|
| a) Goods and Supply Tax | b) Government Sales Tax |
| c) Goods and Services Tax | d) General Sales Tax |

3. What kind of Tax the GST is?

- a) Direct Tax **b) Indirect Tax**
 c) Dependence on the Type of Goods and Services
 d) All Business Organisations

4. What is IGST?

- (a) Integrated Goods and Service Tax**
 (b) Indian Goods and Service Tax
 (c) Initial Goods and Service Tax
 (d) All the Above

5. In India GST became effective from?

- a) 1st April, 2017 **b) 1st January, 2017**
c) 1st July, 2017 **d) 1st March, 2017**

II. Very Short Answer Questions**1. What do you mean by Indirect Tax.**

- ❖ Indirect tax is levied on the goods and services.
- ❖ It is collected from the buyers and paid by the sellers to the Government.

2. Give any two examples for indirect taxes levied in India. (MAY-2022)

- ❖ GST, Excise duty, VAT

3. What do you mean by Goods and Services Taxes? (JUNE 2023)

- ❖ Goods and Services Tax (GST) is the tax imposed on the supply (consumption) of goods and services.
- ❖ It is a destination based consumption tax and collected on those valueadded items at each stage of the supply chain.

4. What is CGST?

- ❖ Central Goods and Services Tax - imposed and collected by the Central Government on all supply of goods within a state (intra-state) under CGST
- ❖ Act 2017

III. Short Answer Questions**1. What are the objectives of GST? (any 3) (MAR-2023)**

- ❖ The foremost objective of GST is to create a common market with uniform tax rate in India. (One Nation, One Tax, One Market)
- ❖ To eliminate the cascading effect of taxes, GST allows set-off of prior taxes for the same transactions as input tax credit.
- ❖ To boost Indian exports, the GST already collected on the inputs will be refunded and thus there will be no tax on all exports.

2. Write any three demerits of GST.

- ❖ Several Economists says that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
- ❖ Another criticism is that CGST, SGST are nothing but new names for Central Excise/Service Tax, VAT and CST.
- ❖ Hence, there is no major reduction in the number of tax layers.
- ❖ A number of retail products currently have only four percent tax on them.
- ❖ After GST, garments and clothes could become more expensive.

IV. Long Answer Questions**1. Distinguish between Direct taxes and Indirect taxes. (any 5) (MAR-2020,MAY-2022)**

S.N O	Basis	Direct Tax	Indirect Tax
1.	Meaning	If a Tax is levied on the income or Wealth of person	If a Tax is levied on the goods or services
2.	Incidence and Impact	Imposed on the income of a person and paid by the same person.	Imposed on the seller but collected from consumers.
3.	Evasion	Tax evasion is possible	Tax evasion is more difficult
4.	Inflation	Reducing the inflation	Contribution to inflation
5.	Shiftability	Cannot be shifted to others	Can be shifted to others
6.	Examples	Income Tax, Wealth Tax	GST, Excise duty

2. Discuss the different kinds of GST. (MAR-2020,AUG-2022,JUNE 2023) ✎**a. CGST –**

- ❖ Central Goods and Services Tax - imposed and collected by the Central Government on all supply of goods within a state (intra-state) under CGST Act 2017

b. SGST –

- ❖ State Goods and Services Tax - imposed and collected by the State Governments under State GST Act. (Tamil Nadu GST Act 2017 passed by Tamil Nadu Govt.)

c. UGST –

- ❖ Union Territory Goods and Services Tax - imposed and collected by the five Union Territory Administrations in India under UGST Act 2017.

d. IGST –

- ❖ Inter-State Goods and Service Tax - imposed and collected by the Central Government and the revenue shared with States under IGST Act 2017.

e. IGST on exports –

- ❖ All exports are treated as Inter-State supply under GST.
- ❖ Since exports are zero rated, GST is not imposed on all goods and services exported from India. Any input credit paid already on exports will be refunded.

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