

COMMERCE

HIGHER SECONDARY FIRST YEAR

Study Material



Name: _____

Class & Section: _____

PREPARED BY:

K.D'SOUZA.,M.COM.,M.Phil.,B.Ed.,

PGT COMMERCE

CHETPET(TK)., T.V. MALAI.DT

UNIT – I

Chapter – 1 Historical background of commerce in the sub – continent

II. Very Short Answer Questions

1. What is meant by Barter system?

- ❖ Before invention of money goods were exchanged for goods is known as barter system.
- ❖ Each party who have surplus stock can take place in barter system.

2. What is meant by Nallangadi?

- ❖ The place where the goods were sold was called **Angadi**.
- ❖ The day market was called as **Naalangadi**

3. What is meant by Allangadi?

- ❖ The place where the goods were sold was called **Angadi**.
- ❖ The night market was called as Allangadi .

III. Short Answer Questions

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

- The word vaniyam or vanipam would have had a Dravidian origin.
- In early Tamils produced their products and goods in their lands and bartered their surplus and that is how trade came into existence.
- The word ‘Vanigam’ has been widely used in sangam literature like Purananuru and Thirukkural.

2. What is the role of Sangam in trade development of ancient Tamilnadu?

- In sangam period both internal and external trade was conducted by means of barter (pandamattu)
- The trade is the one of the major link of various religion in the medieval period.
- Sangam work refers to great traders, their caravans, security force, markets, marts and guilds of such great traders.

3. State the meaning of Maruvurappakkam and Pattinappakkam.

- ❖ Big cities like Poompuhar had two town
 - ◆ Maruvurappakkam’ (inland town)
 - ◆ Pattinappakkam’ (coastal Town)
- ❖ The 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.
- ❖ The people in the coastal region, were engaged in different kinds of –Fishing, pearl, produce salt - Built ship, boat like - oadagu, thimil, thoni, ambu were used to for crossing the river

4. What are the ports developed by Pandiya kingdom?

- Trade and commerce was so common to Pandiya Dynasty.
- Trade in copper, cloth, salt, flower, sandal wood, fish, paddy, cereals, pearls, etc.
- The port which are developed during the pandiyas period such as Shipping , Light house etc.
- Pandiyas developed korkai, Saliyur, Kayal, Marungaur , pattinam and Kumari for foreign trade.

5. What was focused in Arthasasthra about creation of wealth?

- ❖ ‘Kautilya’s Arthasasthra” describes economy in Mauriyan time. According to Kautilya,trade in Medieval India was centralized.
- ❖ The commodities produced could not be sold in the location of production, so the state designated certain places for selling the commodities.
- ❖ Kautilya gave importance for the state treasury , taxation, industry, commerce , agriculture and conservation of natural resources on the creation and promote wealth .

IV. Long Answer Questions

1. What are the hindrances of business?

The various hindrances removed by business are as follows

1. Hindrance of person

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

2. Hindrance of place

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

3. Hindrance of time

- ◆ Goods are produced and stored in warehouses in different regional .
- ◆ The goods distributed at the right time to the consumers on their demand.

4. Hindrance of risk of loss

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

5. Hindrance of knowledge

Advertising and communication help in announcing the –

- ✓ arrival of new products and
- ✓ their uses to the people.

6. Hindrance of finance

- ✧ If the Producers and traders may not have the required funds.
- ✧ Banks and other financial institutions provide funds

2. Briefly explain the coastal trade in ancient Tamilnadu.

south coromandel coast within the territory of tamilnadu state .It is the sea side town Internal trade with both eastern and western people.

1. Big cities like Poompuhar had two town:

‘Maruvurappakam’ (inland town), ‘Pattinapakkam’ (coastal Town).

2. The 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.

3. **Port towns like** Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with activities related to imports and exports.

4. The people in the **coastal** region, were engaged in different kinds of Fishing, pearl and produce salt and built ship, boat like oadagu, thimil, thoni, ambu .It was used to for crossing the river and oceans for domestic trade and foreign trade

3. Explain the development of Commerce and Trade in North India.

- ❖ India was prosperous even during themedieval period from 12th to 16th centuries despite political upheavals.
- ❖ Balban was the first sultan who paved the way in the dense forest and helped traders to move from one market place to others. Alauddin Khilji encouraged import of foreign goods
- ❖ India’s handicraft commanded a good foreign market.
- ❖ Indian products were exported to East Africa, Malaya, China and Far East.

- ❖ India imported horses, dry fruits, precious stones, glassware, high grade textiles, raw silk, corals, scented oil, velvets, etc. From Kabul, Arabia, Europe, West Asia and China.
- ❖ The traders of Malabar, Gujarat and foreign settlers in the ports of Calicut, Khumbat and Mangalore controlled a major business sector in port cities.

4. What do you know about the overseas trading partners of ancient Tamilnadu?

- Roman and Greek forged trade relationship with ancient Kings of –
 - Pandiya,
 - Chola and
 - Chera dynasties.
- Cholas had a strong trading relationship with Chinese, secure a sea trading route to China.
- During the 16th and 18th centuries, India's overseas trade expanded European companies.
- The European merchants who came to India were not only individual merchants but also represented their respective governments.
 - They gained a strong foothold in India's maritime trade
- The discovery of new all sea routes from Europe to India -via **Cape of Good Hope by Vascoda Gama**
- In the 17th and 18th centuries East India Company which became the British Empire in Textiles and ship building and fame.

5. State the constraints (Limitation) in barter system.

The barter system envisages mutual exchange of one's goods to other without the intervention of money as a medium of exchange. *It imposes certain constraints.*

1. Lack of double coincidence of Wants

1. Unless two persons who have surplus have the demand for the goods possessed by each other, barter could not materialize.
2. If this "coincidence of wants" does not exist, Barter cannot take place.

2. Non – existence of common measure of value

1. Barter system could not determine the value of commodities to be exchanged
2. 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

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

4. Lack of surplus stock

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

Chapter –2 Objective of Business

II. Very Short Answer Questions

1. Define Economic Activities.

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

- ❖ Production of goods by manufactures
- ❖ Distribution of goods by wholesalers
- ❖ Selling by retailers

2. What do you mean by Business?

Business refers to those economic activities which are concerned with the production or purchase and sale of goods or supply of services with the main object of earning profits. Ex: farming , fishing etc.

3. Define Profession.

Professions are those occupations which involve rendering of personal services of a special and expert nature.' **Ex:** lawyers, doctors, engineers, chartered accountants.

4. What do you mean by Employment?

Employment refers to the occupation in which people work for others and get remunerated in return.

- Employed by other are called **Employee**. one who employs other is called **Employers**

III. Short answers

1. What do you mean by human activities? Explain

Human Activities

Human activity is an activity performed by a human being to meet his/her needs and wants or may be for personal satisfaction. It can be categorised into – 1. economic 2. non-economic activities

➤ Economic Activities

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

Ex: Production of goods by manufacturers, Selling by retailers

➤ Non-Economic Activities

Activities undertaken to satisfy social and psychological needs are called non economic activities.

Ex: Cooking food for family , Celebrating festivals

2. Write short notes on: a) Business b) Profession

1. Business

- Business refers to any human activity undertaken on regular basis.
- The business activities which are concerned with the production, purchase and sale of goods, supply of services with the main object of earning profits. Ex: farming , manufacturing , fishing , etc.

2. Professions

- ♦ Profession are those occupations which involve rendering of personal services of a special and expert nature.
- ♦ Profession is a career for someone who is competent in their respective areas.

Ex: lawyers, doctors, engineers, chartered accountants

3. Explain the concept of 'Business'.

Definition

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

1. All business activities are mainly concerned with Production, Distribution, Purchase and sale of goods and services.

2. Profit earning is the main with the main object of the business.
3. Business activities are classified on the basis of Size, Ownership, Function.

4. Briefly state the human objectives of a business

Human Objectives of the business -

- ✓ Human objectives aimed at the well-being as well as fulfillment of expectations of employees.
- ✓ And also people who are disabled, handicapped and deprived(lost) of proper education and training.
- ✓ The human objective of business may include Economic well being of the employees Social and psychological satisfaction of employees and Development of human resources.

IV. Long answer

1. Explain the characteristics of business.

1. An economic activity:

All business activities are economic activities and are done for the purpose of earning money.

2. Production and procurement of goods and services:

- ❖ A business activity involves production or procurement of goods and services.
- ❖ A manufacturer is involved in production, and a shopkeeper is involved in procurement.

3. Sale , transfer and exchange :

Sale and exchange of goods and services is done to satisfy human needs.

4. Regularity of dealing:

- One time dealing in goods or services cannot be termed as a business.
- The business should happen on a regular basis.

5. Profit earning:

- ✓ Profit earning is the fundamental motive of doing a business.
- ✓ Other objectives cannot be attained without it.

6. Element of risk: An element of risk is always present in business activity.

2. Compare business with profession and employment.

Basis	Business	Profession	Employment
1. Mode of establishment	Promoter's (Entrepreneur's) decision registration and other legal formalities	Membership of a professional body and certificate of practice.	Appointment letter and service agreement.
2. Nature of Work	Goods and services provided to the public.	Rendering of personalized, expert services.	Performing work assigned by the employer.
3. Qualification	No qualification is required.	Education and training in a specific field is must.	Qualification and training as prescribed by the employer.
4. Basic motive	Earning profit by satisfying needs of society	Rendering service.	Earning wages or salary by serving the employer.
5. Reward or Return	Profit earned.	Professional fee.	Salary or wages.
6. Capital investment	Capital required is based on the size and nature of business.	Limited capital is required .	No capital required.

3. Discuss any five objective of business

1. Economic Objectives

Economic objectives of business refer to Earn profit, Creation of customers, Regular innovations and, best possible use of available resources.

2. Social Objectives

- ✓ Social objectives of the business, which are desired to be achieved for the benefit of the society.
- ✓ by utilizing the scarce resources, the society expects something in return for its welfare

3. Organizational Objectives

The organizational objectives denote intends to accomplish during the course of its existence in the economy like expansion and modernization, supply of quality goods to consumers, customers' satisfaction, etc.

4. Human Objectives

- ✓ Human objectives aimed at the well-being as well as fulfillment of expectations of employees.
- ✓ people who are disabled, handicapped and deprived(lost) of proper education and training.

5. National Objectives

The national objective of the business is to fulfilling national goals and aspirations.

The goal of the country to provide Employment opportunity to its citizen,

- Become self-sufficient in production of goods and services, promote social justice, etc.

4. Distinguish between economic and non – economic activity

Basic	Economic activities	Non – economic activities
1. Definition	Those activities which are undertaken to earn money or financial gain. Ex – fruit seller selling fruit	Those activities which are undertaken for the sake of pleasure, performed out of love, sympathy. Ex – mother cooks for her family
2. Motive	Motive is to earn money and financial again. Ex– working as lawyer	Motive is to satisfies social, psychological, emotional needs. Ex– visit to a temple
3. Money Measurement	All economic activities can be valued in monetary terms. Ex – doctor charges a fee for consultation.	It cannot be measure valued in monetary term . These are expressed as feeling, though , gesture. Ex – An NGO distributes free clothes to poor children.
4.Relationship	It is related to the creation of wealth . e.g., Ram saved part of his salary to purchase a house of his own.	It is related to not creation of wealth e.g., Money received as donation is spent on charity work.
5. Outcome	Result in production, procurement, distribution and consumption of goods and services. e.g., Nokia produces cell phones and sells across India through its distributors.	Result in mental, emotional or psychological satisfaction . e.g., Sona enjoys teaching orphans in an orphanage.

Chapter 3 - Classification of business activities

II. Very Short answer

1. Define commerce

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. The production side of business activity is referred as industry

3. What is trade ?

❖ Trade is an essential part of commerce. The term 'trade' is used to denote buying and selling of goods

❖ Trade may be classified into -

1. internal trade and external trade,
2. wholesale trade and retail trade.

4. Write a short note on transportation.

Transportation means the medium of transport through which men and material are moves from one place to another.

III. Short answer

1. Distinguish between Extractive industries and genetic industries.

Extractive industry	Genetic industries.
1. These industries extract product from natural sources like - soil, air or water. - farming, mining, oil drilling, hunting and fishing. Etc	1. These industries remain engaged in breeding plants and animals for their use in further reproduction.- seeds, nursery companies, - poultry, diary, piggery, fisheries, apiary etc

2. What do you mean by tertiary industries?(service industry)

1. They do not produce goods.
2. These industries produce utility services and sell them at a profit.
3. It includes banking, finance, insurance, warehouse, advertisement, communication, transportation etc.

3. Write any three characteristics of commerce.

1. Commerce is an **economic activity** because it is undertake to earn profit.
2. Commerce involves **the exchange of goods and services** for profit.
3. The **primary objective** of Commerce is to earn profit

4. Narrate commerce with an example

- Commerce refers to all those activities which bringing goods from the place of production to the place of their consumption.
- Commerce deal with – buying and selling of goods, Exchange of commodities
- Commerce includes not only trade but also services – transport, warehousing, banking, insurance,

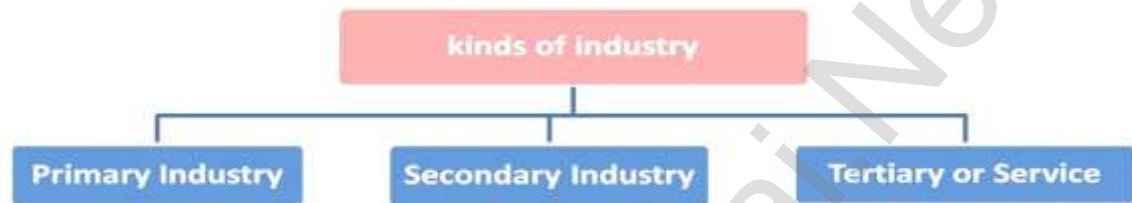
IV. Long answer

1. Distinguish between industry, trade and commerce.

Basic	Industry	Commerce	Trade
1. Meaning	Extraction, reproduction , conversion, processing and construction of useful products.	It involves distribution of goods and services.	Purchase and sale of good and services.

2. Capital	Large amount of capital invested is required.	Comparatively lesser capital investment is required	Small capital is needed depends on the nature of business
3. Scope	It Consists of all activities involving conversion of materials into finished goods.	It Comprises trade and auxiliaries to trade.	It Comprises exchange of goods and services.
4. Risk	It involves maximum risk	Less risk as compared to industry	Less risk involved .
5. utility	It Create form utility by changing the form or shape of materials.	Create time, place utility by moving goods from producers to consumers.	It Create possession utility through exchange.

2. Explain the various kinds of industry ?



On the basis if activities

I. Primary industry:

- ✓ Primary industry is concerned with production of goods with the help of nature.
- ✓ E.g. Agriculture, farming, forestry, fishing, horticulture, etc.

Primary industries are of two types.

1. Extractive industry

- ✓ These industries extract product from natural sources like - soil, air or water
- ✓ Extractive industries include -- *farming, mining, oil drilling, . etc*

2. Genetic industry

These industries engaged in breeding plants and animals for their use in further reproduction. Genetic industries includes - *seeds , nursery companies, poultry, diary, etc*

II. Secondary Industry:

These industry concerned with manufacturing of new product by using the materials which have already been extracted at the primary stage. *ex: Mining of an iron ore is a primary industry, manufacturing of steel from raw irons is a secondary industry.*

1. Manufacturing Industries

Manufacturing industries are engaged in transforming raw material into finished product with the help of machines and manpower . e.g., paper from bamboo, sugar from sugar cane

- **Analytical industry :** which analyses and separates different elements from the same materials. e.g., petrol, diesel, gasoline out of crude oil.
- **Processing:** which involves successive stages for manufacturing finished products, as in the case of sugar, paper and steel from iron ores.
- **Synthetic:** Many raw materials are mixed to produce more useful product e.g., paints, cosmetics etc.
- **Assembling:** The parts manufactured by different industries are assembled to produce new and useful product e.g., computers, watches etc.

2. Construction Industry:

These types of industries involved in constructions of roads, bridges, buildings as well as tunnel and canals.

III. Tertiary or Service Industry:

- ✓ These industry does not produce goods but provide utility services and sell them at a profit.
 - banking, insurance, warehouse, advertisement etc.

On the basis of Size

On the basis of size or scale of operations industries may be classified as follows

1. Micro Industries
2. Small Industries
3. Medium Industries and
4. Large Industries

3. Briefly explain the auxiliaries to trade.**Auxiliaries to Trade:**

All those activities which help in removing various hindrances in production and distribution of goods are called **auxiliaries to trade**.

1. Trade

- The term 'trade' is used to denote buying and selling of goods
- Trade classified into - **1. internal trade and external trade, 2. wholesale trade and retail trade.**

2. Transportation

- ❖ Transportation means the medium of transport through which men and material are moves from one place to another. Goods are send to different places where they are demanded.

3. Banking and Finance:

- To start the business or to run it smoothly we require money.
- Business needs funds for acquiring assets, purchasing raw materials and meeting other expenses.

4. Insurance:

Business involves various types of risks.

- ★ Factory building, machinery, furniture are protected against fire, theft and other risks.
- ★ Employees are protected against the risks of accident and occupational hazards.
- ★ Insurance provides a cover against all such cases.

5. Warehousing:

- Usually, goods are not sold or consumed immediately after production. This problem can be solved by storing the goods in warehouses.
- Special arrangement must be made for storage of goods to prevent loss or damage.

4. What are Characteristic Of Commerce ?**→ Economic activity –**

- ✘ Commerce is an economic activity.
- ✘ A trader buys and sells the goods to earn profit and wealth..

→ Exchange of goods and services –

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

→ Profit (earning motive)

The motive of the commerce is to earn profit.

→ Creation of utility

- ◆ Commerce create place and time utilities to satisfy customer needs.
- ◆ It (commerce)transport goods from place of production to place of consumption to create place utility.

→ Regularity of transport

- Transaction should be done regular .
- commerce involves exchange , distribution and promotion of products, It is done a regular basis.

5. Write short note on :

1. analytical industry 2. genetic industry 3. construction industry

1. Analytical industry :

Analytical industries refer to those manufacturing industries which produce many types of products by analyses and separates different elements from the same materials. petrol, diesel, gasoline out of crude oil.

2. Genetic industry

These industries engaged in breeding plants and animals for their use in further reproduction. Ex: seeds , nursery companies, poultry, diary, etc

3. Construction Industry:

These types of industries involved in constructions of – roads, bridges, buildings, tunnel and canals.

Unit II – forms of business organization

Chapter -4 sole proprietorship

II. Very Short Answer Questions**1. Who is called a Sole Trader?**

The person who invests his own capital, use his own skill and intelligence in the management of it affair of the business and is solely responsible for the result of its business is called sole trader or sole proprietor.

2. What are the Non-corporate enterprises?

Non – corporate business, the ownership and business are not separated. Owner can have direct control over the business. 1. sole proprietorship 2. Partnership 3. joint Hindu family business

3. What are the Corporate enterprises?

✓ Corporate enterprises, the ownership is separated from its management . the owner cannot take direct control over the business. 1. Government companies 2. Joint stock companies 3. Co-operatives.

4. For which of the following types of business do you think a sole proprietorship form of organization would be more suitable, and why?

sole proprietorship organization is most suitable, because low capital investment , less risk involved and quick decision making. a. Grocery store b. Medical store c. Craft centre d. Legal consultancy

III. Short answer**1. How is it possible to maintain secrecy in sole proprietorship?**

- ✓ A sole trader can maintain business secrets.
- ✓ He alone control over all affairs of the business.
- ✓ The sole proprietor is not expected to share his trade secrets with anybody else.

2. What is unlimited liability?

- ★ The liability of the proprietor for the debts of the business is unlimited.
- ★ The creditors have the right to recover their dues even from the personal property of the Proprietor.
- ★ The unlimited liability of a sole proprietor may affect his Enthusiasm and novel ideas in business.

3. Write any three characteristics of Sole Proprietorship.**1. Ownership by one man**

- ☞ A sole trading concern is owned by single person.
- ☞ The sole trader contributes the required capital.

2. Unlimited Liability

- When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.
- The creditors have the right to recover their dues even from the personal property of the Proprietor.

3. Maintenance of Secrecy

- ▲ Sole trader manages all the affairs of the business,
- ▲ Hence he can maintain the business secrecy easily.

4. Give some examples of Sole trading business.

- | | | | |
|----------------|--------------------|------------------|------------------|
| 1. Handicrafts | 2. Tailoring shops | 3. Retails trade | 4. Filigree work |
| 5. Petty shop | 6. Beauty parlour | 7. Fruit seller | |

5. Define Sole trading business.

According to Wheeler, “ the sole proprietorship is that form of business organisation which is owned and controlled by a single individual. He receives all the profits and risks all of his property in the success or failure of the enterprise”.

IV. Long Answer Questions**1. Explain the characteristics of Sole trading business.****1. Ownership by one man**

- ❖ A sole trading concern is owned by single person.
- ❖ The sole trader contributes the required capital.

2. Freedom of work and Quick Decisions

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

3. Enjoying entire profit

- ✘ He strives tirelessly for the improvement and expansion of his business.
- ✘ He enjoys all the benefits and profit of the business .

4. Absence of Government Regulation

- A sole proprietor concern is free from Government regulations.
- No legal formalities are required in its formation, management the business .

5. No Separate Entity

- ❖ The sole trader and the business are one and the same.
- ❖ The sole trading concern comes to an end with death, disability, and insolvency of the individual.

6. Maintenance of Secrecy

- ◆ Sole trader manages all the affairs of the business,
- ◆ Hence he can maintain the business secrecy easily.

2. What are the advantages of Sole trading business?**1. Easy Formation**

- No legal formalities are required to initiate a sole trading concern.
- Any person capable of entering into a contract can start with necessary resources for it.

2. Incentive to Work hard

- There is a direct relationship between effort and reward.
- The entire profit can be taken by sole trader without sharing with anybody else .

3. Small Capital

- Small capital is the specific advantage of sole proprietorship.
- Sole proprietor can start business with small amount of capital.

4. Credit Standing

- Since his private properties are held liable for the business debts
- He can get more financial assistance from others.

5. Personal Contact with the Customers

- sole proprietor knows taste and preferences of the customer.
- He can supply goods according to their preference of the consumer .

6. Flexibility

- It is a highly flexible type of organization.
- The sole trader can easily adjust and change the requirements of his business

3. What are the disadvantages of Sole trading business?**1. Limited Capital**

- The resources of a sole proprietor are limited
- the capital is contributed by one single individual have

2. Limited Managerial Skill

- Single person's intelligence and experience may not help him beyond a certain stage.
- Since he has to focus on each and every activity, his managerial ability is bound to be limited.

3. 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.

4. 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

5. Hasty Decisions

- Sole proprietor is more likely to take hasty decision as he need not consult anybody else.
- The hasty decisions may result in loss and affect the sole trader business.

Chapter – 5 Hindu Undivided Family And Partnership

II. Very Short Answer Questions

1. Who is called KARTA?

All the affairs of a Joint Hindu Family business are controlled and managed by the head of the family, is known as 'Karta' .

2. What are the two schools of Hindu law?

- ❖ **Dayabhaga Law** (The right of property devolves on the coparceners by succession and not by birth.)
- ❖ **Mitakshara law-** (There is a son's right by birth in the property of joint family.)

3. Who is a called a Partner?

The person one who enter into partnership are individually called partners and collectively known as firm .

4. Who is a Sleeping partner?

The partners who merely contribute capital and does not take active interest in the conduct of the business is called sleeping or dormant partners.

5. Who is a Minor?

Under the Indian Majority Act, person who has not completed 18 years of age is a minor.

6. How many types of Dissolution?

Dissolution of partnership firm means putting end to the relationship among the partners.

They are two of dissolution 1. Dissolution of firm 2. Dissolution of partnership

III. Short Answer Questions

1. What is the meaning of Joint Hindu Family Business?

“When two or more families agree to live and work together, invest their resources and labour jointly and share profits or losses together this family is known as HUF”

1. A Joint Hindu Family comprises of - Father, mother, sons, daughters, grandsons and granddaughters.
2. They hold the property jointly.
3. They do the business under the control of the head of the family.

2. Write any 3 features of HUF.

☞ Governed by Hindu Law

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

☞ Management

All the affairs of a Joint Hindu Family business are controlled and managed by the head of the family, is known as ‘Karta’ or ‘Manager’.

☞ Membership by Birth

- The membership of the family can be acquired only by birth, that child becomes a member.

3. Explain the nature of liability of karta.

- ★ The head of the family is known as Karta
- ★ All properties of the business maintained by the Karta
- ★ He pay taxes on the behalf of the family

4. What is the meaning of Coparceners?

- The word coparcener has been used very widely in relation to the Hindu law and the HUF.
- In relation to HUF property, a coparcener is a person who acquires a right in the property by birth.
- only male members of a family called coparceners.

5. Define Partnership.

According to **Prof.Haney**, “The relations which exist between persons, competent to make contracts, who agree to carry on a lawful business in common with a view to private gain”.

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

- ✓ Partnership is the outcome of an agreement between two or more persons.
- ✓ The minimum number of member is 2 and maximum to 10 in the case of banking business
- ✓ 20 in the case of all other business.

7. What is the meaning of Partnership Deed?

- A partnership Deed is a written agreement containing all the terms and conditions of partnership.
- it is important to have a written agreement in order to avoid misunderstandings;
- Drafted partnership deed helps in ironing out the develop among partners and ensuring smooth running of the partnership business.

8. What is meant by Joint and Several Liability?

- Every partner is jointly and severally liable for all acts of the firm.
- It means that in case the assets are inadequate for meeting the claims of creditors,.
- The creditors can recover their claims from all the partners.

9. Who is called a Secret partner?

- ✧ A partner who merely contributes capital and shares in the profits or losses of the firm
- ✧ But does not take active part in the management of the business.
- ✧ He may not be known as a partner to the outsiders;

IV. Long Answer Questions

1. What is the implied authority of Karta?

Implied Authority of Karta:

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

1. **Power to manage:** karta has the power to manage property, business affairs and family the way he like
2. **Power to represent:** karta represent the family in all matters - legal, social, religious.
3. **Power to get income:** karta has power to get income arising from joint family business.
4. **Power to compromise:** kara has power to compromise all disputes relating to family property, debts, other transaction.
5. **Power to contract debts:** the creditor can make the entire joint family liable for such debts karta can execute a promissory note on behalf of the family.
6. **Power of alienation:** karta has no power to dispose the joint family property without the consent of all other members.

2. What are the contents of Partnership Deed?

A partnership Deed is a written agreement containing all the terms and conditions of partnership.

Content of partnership deed

1. Name of the firm
2. Names and addresses of all partners.
3. Nature of business proposed to be carried on by the firm
4. Arbitration of duties
5. Account keeping
6. capital contributed by each partner.
7. Withdrawal from firm.
8. Date of agreement and principal place of business.
9. Duration of partnership.
10. Interest on capital and interest on drawings.
11. Loan from partners
12. Profit / loss sharing ratio.
13. Procedure for admission or retirement of partner
14. Salary and commission to partner
15. Retirement
16. Goodwill valuation
17. Dissolution procedure

3. Explain the types of dissolution of partnership firm.

Dissolution of a partnership firm taken place in two ways.

- I. without the order of the court* *II. By order of the court.*

I. Without the order of the court

1. By agreement or mutual consent

A firm may be dissolved when all the partners agree to close the affairs of the firm by Contract or by agreement.

2. By insolvency of all the partners but one

- ▲ If any of the partners adjudged (become) an insolvent or
- ▲ If all the partners become insolvent

3. When the objective becomes illegal

- ▲ If the partnership carried any illegal business,
- ▲ The partnership firm is automatically dissolved.

4. By notice of dissolution

- ▲ In case of partnership-at-will.
- ▲ Any partner by giving a notice in writing to all the other partners of his intention to dissolve the firm,

5. On certain contingencies:

- ▲ Death of a partner.
- ▲ Expiry of the duration of partnership.
- ▲ Completion of the specific venture
- ▲ Retirement of a partner

II. Dissolution through court

The court may order for dissolution of a firm at a suit of a partner in any of the following circumstances. (On the filing of suit by a partner, the court may dissolve the firm on the following grounds)

1. When a partner becomes insane
2. Permanent incapacity of any partner
3. Misconduct of any partner
4. Breach of agreement which makes the business impracticable
5. Transfer of interest to third person

4. Write any three differences between Dissolution of Partnership and Dissolution of Firm.

s.no	Dissolution of Partnership	Dissolution of Firm
1.	Dissolution of partnership means the termination of the original partnership agreement.	Dissolution of firm means dissolution of partnership. On dissolution of firm, partnership business comes to an end.
2.	A partnership is dissolved by insolvency, retirement, expiry or completion	A firm is dissolved by partners mutually or by order of the court.
3.	In the event of dissolution of partnership, asset and liabilities are revalued and balance sheet is drawn.	In the event of dissolution of firm, asset and liabilities are realized and liabilities are paid off.
4.	The business will continue after dissolution of partnership.	The business cannot be continued after dissolution of partnership firm.
5.	Revaluation account is prepared to ascertain profit and loss.	Realization account is prepared to ascertain profit and loss.

5. Write the procedure for Registration of a Firm.

under partnership Act, 1932. Registration of a partnership firm in India is not compulsory, It is only optional . But the disabilities of non-registration virtually make it compulsory.

Procedure for Registration:(The statement should contain the particulars).

1. Name of the firm
2. Principal place of its business
3. Name and address of each partner
4. Date of admission of each partner
5. Date of commencement of business of the firm
6. Duration of the firm

Chapter - 6 Joint Stock Company

II. Very Short Answer Questions

1. What are the different types of companies?

1. Chartered companies
2. Statutory companies
3. Association not for profit

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.
- A member is liable only to the uncalled money due on shares held by him.

4. Explain any two characteristics of a company.

1. Separate legal entity

- Under Incorporation a company becomes a separate
- It has its own seal and its own name,

2. Perpetual succession

- The continuation of company does not affected by death, disability of members or the transfer of shares.
- A company is created by law and it can be windup only through legal process.

5. What is meant by Chartered Company?

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

III. Short Answer Questions

1. What are the advantages of Companies?

1. Large Capital

A joint stock company secure(requires) a Large amount of capital is necessary for conducting business on a large scale.

2. Limited Liability

- ✧ The liability of a shareholder is limited,
- ✧ In the case of a company limited by guarantee.

3. Transferability of Shares

- ✧ Transaction of Shares between two individuals is easy.
- ✧ Any shareholder can easily convert his shares into money by selling his shares.

2. What is meant by Private Company?

Private Company

- ★ Private limited company is formed with minimum - two shareholders and two directors,
- ★ It requirement authorised or paid up capital minimum of Rs.1,00,000
- ★ The name of private company should be suffixed with pvt ltd or (p) ltd.

3. What is meant by Government Company?

Government Companies

According to Indian Companies Act 1956, “Government company means any company in which not less than 51% of the paid-up share capital is held by –

1. The Central Government.
2. State Government .
3. Both Central Government and State Governments. *Ex:* Steel Authority of India, Indian Oil Corporation,

4. What is meant by Foreign Company?

Foreign Companies

- A foreign company means a company which is incorporated in a country outside
- After the establishment of business in India
- 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?

1. Name Clause

- It requires to state the legal and recognized name of the company
- The name of the company which is allow to be registered does not similarities with the name of an existing Company.

2. Situation Clause

- It requires to show the physical location of the registered office of the company.
- The registered office should be established prior to commencing business activities.

3. Objective Clause

- ▲ It requires to summarize the main objectives of the company
- ▲ The objectives should be free of any provisions or contravene laws or public good.

4. liability Clause

- It state the extent to which shareholders of the company are liable to the debt obligations of the company
- In the event of the company dissolving.

5. Capital Clause

- ◇ It state the company's authorized share capital,
- ◇ The different categories of shares

2. What are the contents of Articles of Association?

Articles of Association is an important document as it contains the rules and regulations for its internal management of the company.

Contents:

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

3. What is meant by Prospectus?

According to Section 2(36) of the Companies Act any document inviting the public to buy its shares or debentures comes under the definition of prospectus.

Content:

1. prospectus contains the main objectives of the company
2. the name and addresses of the signatories of the Memorandum of Association
3. The number of shares held by shareholder .
4. The name, addresses and occupation of directors and managing directors.
5. The number and classes of shares and debentures issued.
6. The qualification share of directors and
7. The name and addresses of the vendors of any property acquired by the company and the amount paid or to be paid.
8. Particulars about the directors, secretaries and the treasures and their remuneration.
9. The amount for the minimum subscription.
10. The estimated amount of preliminary expenses.
11. Time and place where copies of balance sheets, profits and loss account and the
12. auditor's report may be inspected.

4. what is meant by Multi National Company?

A Multi National Company (MNC) is a huge industrial organisation which,

1. Operates in more than one country
2. Carries out production, marketing and research activities on international Scale in those countries.
3. Seeks to maximise profits world over.
4. A domestic company or a foreign company can be a MNC.
5. Such a company has factories, branches and in more than one country.
6. It is also known as- Transnational corporation, Global giant, World enterprise, International enterprise

Examples: Microsoft Corporation, Nokia Corporation, Nestle, Coca-Cola, International Business Machine, Pepsico, Sony Corporation.

5. What is meant by Holding and Subsidiary company?***Holding and Subsidiary company***

As per Section 2(87) "subsidiary company" or "subsidiary", in relation to any other Company, means a company in which the holding company.

1. controls the composition of the Board of Directors; or
2. exercises or controls more than one half of the total share capital either at its own or together with one or more of its subsidiary companies:

Where a company holds more than 51% of share capital of another company is called **Holding company** and the latter company is called Subsidiary company.

Chapter 7 co- operative

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

Co- operative is a private business organization that is owed and controlled by the people who use its products, suppliers or services.

2. Define Co-operation?

" A co-operative society is a form of organization wherein persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interests of themselves".

3. Who are Rochdale pioneers?

ROBERT OWEN started the first ever co-operative movement in the year 1844 with 28 members called as ROCH DALE society of Equitable pioneers.

4. What is Credit cooperatives?

- ✓ **credit co-operative society** are formed with the object of providing short-term finance to members.
- ✓ Agriculturist , artisans, industrial workers, salaried employees, ect., form these credit societies.

5. Is low taxes possible in Cooperative society?

Yes , Cooperative society is a non profit enterprise and government provides various exemption on tax.

III. Short Answer Questions**1. What are the disadvantages of Co-operatives ?****★ Limited funds**

- a) Co-operative societies are promoted by the weaker Sections with limited membership .
- b) Therefore the funds available with the co-operatives are limited.

★ Over reliance on Government funds

- a) Co-operative societies are not able to raise their own resources.
- b) they are depend on government funds for funds (finance)

★ Government intervention

- a) Co-operative societies are subject to excessive government rules and regulation
- b) This will affects the management of the co –operative .

2. write a note on Housing cooperatives.

- a) These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.
- b) People who intend to build houses of their own .
- c) These societies advance loans to members, repayable over a period of 15 to20 years.

3. What is meant by Producers cooperative society?**Producers Cooperatives**

- a) Producer cooperatives are established and operated by producers.
 - b) Producers can decide to work together it help increase marketing possibilities and production efficiency.
 - c) They are organized to process, market, and distribute their own products.
- Ex: Cooperative weavers' societies, Cooperative carpenting units, Cooperative match factories.

4. Write a note on cooperative farming societies.**Cooperative Farming Societies is formed by -**

- a) The various farmers in a village pool their land together for the purpose of cultivation, purchase the necessary inputs for the cultivation, market the crops.
- b) Such a society, elect office bearers on the bases of one member one vote.
- c) Besides the farmers also contribute various productive assets as well as their labour for the purpose of cultivations.

5. Write a note on industrial cooperatives.**Industrial co-operatives**

- a) An industrial co-operative is organised by small scale producers.
- b) Cooperative undertakings are a useful means of developing small scale and cottage industries.
- c) Industrial co operatives are very useful in obtaining raw materials, in improving the quality of products.

IV. Long Answer Questions**1. What are the principles of cooperatives?***** Voluntary and Open Membership**

- a) Cooperatives are - voluntary organizations, b) It is open for all people.

*** Democratic Member Control**

- a) Cooperatives are - democratic organizations b) It is controlled by their member.

*** Autonomy and Independence**

- a) Cooperatives are - autonomous, self-help organizations controlled by their members.
b) If the co-operative enters into agreements with other organizations (from external sources,)

*** Education, Training, and Information**

- a) Cooperatives provide education and training for members,
b) Elected representatives, managers and employees for the development of their cooperative.

*** Cooperation among Cooperatives**

- a) Cooperatives serve their members and strengthen the cooperative movement – by working together .
b) Through local, national, regional and international structures.

2. What are the advantages of cooperative society?**1. Voluntary organization**

- a) cooperative society is the voluntary association person.
b) The membership fees is kept low so any can join and get benefit

2. Easy formation

- a) Cooperatives can be formed much easily b) With minimum 25 members

3. Democracy

- a) A co-operative society is run on the principle of 'one man one vote'.
b) It implies that all members have equal rights in managing.

4. Limited liability

- a) The liability of the members is limited to the extent of their capital contribution.
b) They cannot be personally held liable for the debts of the society.

5. Separate legal entity

- a) A cooperative society enjoys separate legal entity
b) Therefore its continuance - not affected by the death, insanity or insolvency of members.

3. What are the types of Cooperative society?**1. Consumer's Co-operatives**

- a) Consumer co-operative are organized by consumers
b) To achieve better prices or quality in the goods and services they purchase.
Ex: students cooperative , cooperative provision store .

2. Producers Cooperatives

- a) Producer cooperatives are - established and operated - by producers.
b) It help in increase – 1). marketing possibilities and 2). production efficiency.

3. Marketing Cooperatives

- a) Marketing cooperative are associations of small producers formed for the purpose of marketing their produced product.
b) It perform certain marketing function such as – grading, warehousing, advertising etc.,

4. Credit Cooperatives

- a) Cooperative credit societies are formed for the purpose of providing short term Finance to their members .
b) Credit societies may be - Agricultural credit societies or non-agricultural credit societies.

5. Housing cooperative

- a) Housing cooperative are meant to provide residential accommodation to their members on ownership basis or on rent.
- b) These societies advance loans to members, repayable over a period of 15 to 20 years.

4. Write a note on Consumer cooperative society.**Consumers Cooperatives**

1. Consumer cooperatives are organized by consumers
 2. to achieve better prices or quality in the goods or services they purchase.
 3. Consumer cooperative exists - to deliver goods or services - rather than to maximize profit – from selling those goods or services.
 4. They also supply essential commodities through Public Distribution System (PDS).
 5. Credit unions are essential for cooperatives people for banking services.
- Ex: – students cooperative , cooperative provision store .

5. Whether misuse of funds is possible in co-operatives.

Yes, there is a possibility of misuse of funds in co-operatives

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

Chapter – 8 Multi National Corporation

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.

- ✧ Low cost labour
- ✧ Quality product
- ✧ Proper use of idle resources

3. Give two examples of MNC.

1. Bata India
2. Colgate India
3. Maruthi Suzuki

4. Name the type of business enterprise which operates in more than one country.

1. Microsoft corporation
2. Nokia corporation
3. Coca – cola
4. Sony corporation

III. Short Answer Questions**1. What are the advantages of MNC's?****1. Low Cost Labour**

- a) MNC set up to facilitate to produce goods/service at lower cost.
- b) It gains cost advantage and sells its products at low cost.

2. Quality Products

- a) The resource, experience and expertise of MNCs in the sphere of research and development
- b) enables the host country to establish its research and development system

3. Proper Use of Idle Resources

- a) Because of their advanced technical knowledge,
- b) MNCs utilise the physical and human resources of the host country.

2. What are the disadvantages of MNC's?

1. Danger for Domestic Industries

- MNCs, because of their vast economic power, pose a danger to domestic industries
- Domestic industries cannot face challenges posed by MNCs.

2. Transfer of Outdated Technology

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

3. Economic Growth of Home Country

MNCs may neglect home countries industrial and economic development.

Chapter – 9 Government organization

II. Very Short Answer Questions

1. State the different types of public sectors enterprises.

- Departmental undertaking
- Statutory corporation
- Government company

2. What is the basic feature of a Departmental undertaking?

- ultimate responsibility
- governmental financing
- accounting and audit
- managed by civil servants

3. Give two examples for each of the following:

(i) Private sector enterprises (ii) Global enterprises (iii) Public enterprises

1. *Private sector enterprises:* a) Reliance industries Ltd b) Wipro Ltd

2. *Global enterprises:* a) Unilever limited b) Coca – cola corporation

3. *Public enterprises:* a) Air India b) Indian Railways

4. State the form of public enterprises which is most suitable for projects related to National Security.

- Departmental undertaking
- Statutory corporation
- Government company

5. The Industrial Policy Resolution 2001 exclusively reserved for few industries for the public sector. name these industries .

- Mineral based industries
- Craft based industries
- Tourism
- Marine aquaculture and agro – based medicinal herbs and minor forest produce.

III. Short answer questions

1. List the areas where the state or central ownership is a preferred form of business organisation. Justify your choice of areas.

- ❖ Most of the industrial progress was limited in during the period of pre independence.
- ❖ Public sector industries were deliberately set up in these backward regions.
- ❖ The government located new enterprise in backward areas.
- ❖ Example: Bhilai Steel Plant in Madhya Pradesh

2. What are the different kinds of organisations that come under the public sector?

1. Departmental undertaking

- These enterprises are established as departments of the ministry of a government.
- These undertaking may be under the central government or the state government. Ex: -Railways, B.S.N.L.

2. Government Companies

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

▲ These companies are owned and managed by the central or the state government .

Examples: Steel Authority of India, Indian Oil Corporation.

3. Statutory corporation

Companies are established by a Special Act made in Parliament/State Assembly.

Ex: Food Corporation of India, LIC, GIC, RBI, SBI, IDBI.

3. List the names of some enterprises under the public sector and classify them.

The following are the some enterprise with public sector -

1. Departmental undertaking

a) Indian railway b) Indian post and telegraph c) B.S.N.L.

2. Government company

a) Hindutan Steel Ltd, b) Bharath Heavy Electricals Ltd

3. Statutory corporation

a) Reserve Bank of India, b) Life Insurance Corporation and Unit Trust of India

4. Define Departmental undertakings.

- It is the oldest form of organization.
- No distinction was made between the routine functions of the Government.
- A public enterprise is run as a separate full-fledged ministry.
- Ex: Indian Railways, Post and Telegraph services, All India Radio, Doordarshan.

5. What is meant by Government Company?

“Any company in which not less than 51% of the paid-up share capital is held by the Central Government or State Government or partly by the Central Government and partly by State Governments” - **Section 2(45) of the Companies Act, 2013** Ex: Food Corporation of India, ONGC.

IV. Long Answer Questions

1. What are the advantages and disadvantages of Departmental undertaking?

Advantages

1. Easy Formation

- a) It is easy to set up a departmental undertaking.
- b) It is created by an administrative of the Government,

2. Direct and Control of Parliament or State Legislature

The departmental undertaking is directly responsible to the Parliament or the State legislature

3. Secrecy Maintained

- a) Strategic industries like defence and atomic power cannot be better managed other than govt. depts.
- b) Department undertakings can maintain secrecy in their working.

Disadvantages

1. Red – tapism

- a) There is too much of procedures which results in delay.
- b) Commercial organization cannot afford delay in taking decisions.

2. Incidence of Additional Taxation

- a) Losses incurred by a departmental enterprise are met out of the treasury.
- b) The additional taxation burden which falls on the common man.

3. Lack of Competition

- a) The control of these undertakings are given to the civil servants who may not have business outlook or commercial experience.
- b) So, they run the undertaking in their own fashion without considering the sovereignty of the consumers.

2. What are the features of Public corporation?

1. *Special Statute*

- ☞ A public corporation is created by a special Act of the Parliament or the State Legislature.
- ☞ The Act defines its powers, objectives, function in relation with the ministry & Parliament.

2. *Separate Legal Entity*

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

3. *Capital Provided by the Government*

- ▲ The capital of a public corporation is provided by the Government
- ▲ public corporations have also begun to raise money from the capital market.

4. *Financial Autonomy*

- ◆ A public corporation enjoys financial autonomy.
- ◆ It prepares its own budget.

5. *Management by Board of Directors*

- Its management is vested in a Board of Directors, appointed or nominated by the Government.
- No Governmental interference in the day-to-day working of the corporation.

3. What are the Features of Government company?

Features of Government Company

1. *Registration Under the Companies Act*

- a) A Government company is formed and registration under the Companies Act, 1956.
- b) It is subject to the provision of this act, like any other company.

2. *Executive Decision of Government*

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

3. *Separate Legal Entity*

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

4. *Whole or Majority Capital Provided by Government*

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

5. *Majority of Government Directors*

- a) Being in possession of a majority of share capital,
- b) The Government has authority to appoint majority of directors, of a government company.

4. What are the advantages and disadvantages of Public corporation?

Advantages

1. *Bold Management due to Operational Autonomy*

- a) A public corporation is free from Governmental control.
- b) Management can take bold decisions involving experimentation of business activities .

2. *Legislative Control*

- a) Affairs of a public corporation are subject to Committees of Parliament or State Legislature.
- b) It keeps check on management of the public corporation.

3. *Tailor-Made Statute*

- a) The special Act, by which a public corporation is created, to meet the specific needs of the public corporation;
- b) The corporation can function in the best manner to achieve its objectives..

Disadvantages**1. Autonomy and Flexibility, Only in Theory**

There is a lot of interference in the working of a public corporation by Ministers, government officers.

2. Rigid Constitution

- a) The constitution of a public corporation is very rigid.
- b) It cannot be changed, without amending the Statute of its formation.

3. Low managerial efficiency

➤ Quite often civil servants, who do not possess management knowledge and skills, are appointed by the government on the Board of Directors.

5. What are the features of Departmental organisation?**1. Ultimate Responsibility**

- The ultimate responsibility of the departmental undertaking lies with the minister of the Parliament or State Legislature .
- The minister, delegates his authority downwards to various other management levels, in the departmental undertaking.

2. Governmental Financing

- ★ The departmental undertaking is financed through annual budget
- ★ appropriations by the Parliament or the State Legislature.

3. Accounting and Audit

The departmental undertaking is subject to the normal budgeting, accounting and audit procedures, - which are applicable to all Government departments.

4. Managed by Civil Servants

- ✘ The departmental undertaking is managed by civil servants,
- ✘ The service conditions as applicable to civil servants of the Government.

5. Sovereign Immunity

A departmental undertaking cannot be sued anybody, without the consent of the Government.

Chapter – 10 Reserve Bank of India

II. Very Short Answer**1. What are the services included in Service businesses?**

- | | | |
|--------------------------|------------------------|----------------------------|
| 1. Banking service | 2. Insurance service | 3. Transportation services |
| 4. Communication service | 5. Warehousing service | 6. Advertising service |

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 and withdrawable by cheque, draft, pay order .

3. Briefly explain about Central Bank.

- a) central bank is owned by the Government of the country.
- b) The control over the entire banking system of a country is vested with this apex bank .

III. Short Answer**1. Mention the importance of banking services.**

- a) Banking service is the nerve center of industry and commerce .
- b) By providing the money required for their regular functioning and development.
- c) Central Bank also plays a most important role , which are owned by the Government of the country.

2. Explain the origin of RBI.

- a) The RBI Act 1934 was passed
- b) RBI was established with a share capital of Rs.500000000 divided into shares of Rs.100 each fully paid up.
- c) After independence, the Government of India passed Reserve Bank Act, 1948 and took over RBI after paying appropriate compensation to the private shareholders.

3. Who are the persons involved in RBI administration?

- i. The RBI is governed by a Central Board of Directors.
- ii. The 21 member board is appointed by the Government of India.

It consists of -

a) One governor and four deputy governors	b) Two government officials
c) Four directors - one each from local boards.	d) Ten directors from various fields

IV. Long Answer**1. Classify the various functions of Reserve Bank of India.****I. Leadership and Supervisory Functions**

1. India's Representative in World Financial Institutions
2. Regulator and Supervisor of Indian Banking System
3. Monetary Authority
4. Closely Monitoring Economic Parameters

II. Traditional Functions

1. Banker and Financial Advisor to the Government
2. Monopoly of Note Issue
3. Banker's Bank
4. Controller of Credit and Liquidity
5. Quantitative Methods of Credit Control
 - a) Bank rate policy
 - b) Cash reserve ratio (CRR)
 - c) Statutory liquidity ratio (SLR)

III. Promotional Functions.

1. Nurturing Banking Habits among the Public
2. Grievance Settlement Measures
3. Agricultural Development
4. Promotion of Small Scale Industries
5. Facilitates Foreign Trade

2. Explain the organizational structure of RBI.

1. The head office of the RBI is situated in Mumbai.
2. This central office has 33 departments in 2017.
3. It has four zonal offices in Mumbai, Delhi, Calcutta and Chennai
4. It also has 19 regional offices and 11 sub-offices.
5. The RBI is governed by a Central Board of Directors.
6. The 21 member board is appointed by the Government of India.

It consists of -

- ❖ One governor and four deputy governors
- ❖ Two government officials
- ❖ Four directors - one each from local boards.
- ❖ Ten directors from various fields.

Chapter – 11 Types of Banks

II. Very Short Answer

1. Give the meaning of Commercial Banks

Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. *Ex:* a. State Bank of India b. Karur Vysa Bank c. Standard Chartered Bank

2. What do you mean by Industrial Banks?

Huge finance required for investment, expansion and modernisation of big industries are granted by a separate type of banks called development Banks. They are also called industrial banks. **Ex:** IFCI, SIDBI

3. Briefly explain about Correspondent Banks?

- a. Banking Correspondents (BCs) are retail agents
- b. It is engaged by banks for providing banking services at low cost in locations other than a bank /ATM.

4. What are Foreign Banks?

- a. Banks which have registered office in a foreign country and branches in India are called foreign banks.
- b. These banks open their offices in big cities and port towns only.

Ex: i. Bank of America - The USA, ii. Barclays Bank - The UK, iii. Deutsche Bank - Germany

III. Short Answer

1. Write a short note on Local Area Banks, Give two examples.

- a) Local Area Bank (LAB) scheme was introduced by the RBI in August 1996.
- b) LABs are small private sector banks established in rural and semi-urban areas.

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

2. What are the objectives involved in Regional Rural Banks?

- a) The RRBs were formed under the Regional Rural Bank Act 1976
- b) jointly by the Central Government, State Government, and a sponsor bank.
- c) Their objective is to – 1). develop rural economy 2). mobilize deposits from the rural public

Ex: 1) Pallavan Grama Bank, Salem, 2) Pandian Grama Bank.

3. Mention the purposes of Agricultural and Co-operative banks.

- a). All cooperative banks in India are owned by its members , farmers, small traders and others.
- b). Cooperative banks are either urban based or rural based.
- c). All cooperative banks in Tamil Nadu are registered under Tamil Nadu Cooperative Societies Act 1983.

Ex: 1) National Agricultural Cooperative Marketing Federation of India Ltd.(NAFED)

- 2) Tamil Nadu State Apex Cooperative Bank

IV. Long Answer

1. Explain the various types of banks based on organization with examples

1. unit banking

- a) UNIT BANK operates with only one office, usually small bank.
- b) That provides financial services to its local community.

Ex. USA is the home of unit banking system.

2. Branch banking.

- a) It is refers to a bank that is connected to one or more other banks in an area or outside
- b) This bank provides all the usual financial services

Ex: Chase in the U.S., owns Chase bank branches in over 20 states

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

BANKS OWNED BY GOVERNMENT

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

BANKS OWNED BY PRIVATE PEOPLE

- ❖ IFCI, SIDBI, EXIM Bank, etc.
- ❖ All banking companies owned by private people are called private sector commercial banks.
- ❖ 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.
 - ➔ **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.

Chapter – 12 Functions of Commercial banks

II. Very Short Answer

1. What is Mobile Banking?

- a. Most of the commercial banks have designed computer programs called apps
- b. With this app in the smart phone a customer can operate his account transactions from anywhere.

2. Briefly explain the need for Debit card.

- ✓ ATM card is also called debit card.
- ✓ This card is used purchase of goods and services anywhere in India,

3. Briefly explain the term - Credit card.

- Banks issue credit cards to customers
- With this card, the holder can purchase goods and services on credit at any shop in India.

4. What do you mean by ATM?

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

5. Write a note on - ECS.

- Electronic Clearing Services (ECS) - was launched by the RBI in 1995.
- It is an electronic method of fund transfer from a bank to another bank.

III. Short Answer

1. What is E-Banking?

1. Banking through internet is know as E- Banking or internet banking.
2. Transfer of fund directly from one account to another, rather than by cheque or cash. this facilitates the customer in Transfer of funds, Online payment, Account enquiry, Request for statement, etc.,
3. E- banking comprises of - NETF, RTGS, ECS, CORE BANKING, Mobile banking

2. Write a short note on - RTGS.

- a) It was launched by the RBI in 2013.
- b) The transfer of money and securities between one bank and another bank on **Real time** and on Gross settlement basis.
- c) Minimum limit for RTGS transaction is 2 lakhs.

3. Briefly explain the Diversified banking services of commercial banks.

1. Competition in the banking industry has reduced its profit .
2. The commercial banks offers new financial services and banking services is also called universal banking. Ex: a) bank assurance b) Merchant banking d) Housing finance

4. Explain - NEFT.

- ✓ Under this **Electronic Funds Transfer** system, transfer funds from any bank to any person account with any other bank branch across (in) India.
- ✓ Individuals and institutions which maintain accounts with a NEFT
- ✓ Both NEFT and RTGS use IFSC (Indian Financial System Code) – a 11 digit alphanumeric code,

5. What do you mean by Core Banking Solutions?

- ✧ CORE' stands for 'Centralized Online Real time Exchange'.
- ✧ A customer can deposit and withdraw money through cheque at any branch of that bank throughout the world. this facility is called core banking solutions.

IV. Long Answer

1. Discuss the various primary functions performed by the commercial banks.

The primary functions of a commercial bank are -

I. Accepting Deposits

Commercial bank accept deposit from public. The deposit are classified into

1. Demand deposits

These deposit are repayable to the customer on their demand.

- ◆ **Saving deposit ,Current deposit**

2. Time deposit

The deposit is made for fixed period or deposit made every month or the agreed period.

- ◆ **Fixed deposit ,Recurring deposit**

II. Granting Loans and Advances.

Advance loan and lending money is the another important function of commercial bank in order to earn money.

1. Advance

- a. Overdraft
- b. Cash credit
- c. Discounting of bills

2. Loans

- a. Housing loan
- b. Consumer loans
- c. Vehicle loan
- d. Education loan
- e. Jewel loan

III. Creation of Credit

- Apart from the issuing currency money by RBI.
- The credit money created by the commercial banks is – channelized under the guidance of the RBI.

2. Explain the various secondary functions of commercial banks.

Secondary function of commercial bank can be classified into

I. Agency function

1. **Transfer Of Funds** - bank issue demand drafts, cheques to transfer funds.
2. **Periodic Payment Of Premiums, Rent, Etc.** - bank undertakes payment of bill, premium , rent of customer through ECS
3. **Preparation Of Income Tax Return** – bank prepare annual tax return and provide advice to the customer.
4. **Dealing in foreign exchange** – bank buy and sell foreign currencies on behalf of customer.
5. **Conduct Share Market Transactions** - Demat account facilitate bank to conduct online purchase and sale of securities on behalf of customer.

II. General utility function

1. **Issue of demand draft and banker's cheque** - to the customer for the payment of educational fees, etc.
2. Accepting bills of exchange on behalf of customers
3. **Safety lockers** – valuable document, jewels can be kept under vaults room .
4. **Letter of credit** – this document is given by bank on behalf of importing to the exporter guaranteeing payment for the imported goods.
5. Travelers cheque

Chapter – 13 warehousing**II. Very Short Answer****1. What is Warehouse?**

- a) Warehouse is a place where goods are stored for future use and act as distribution centres.
- b) It designed depending upon the nature of the products .

2. List the various types of Warehouses.**I. On the basis of ownership**

1. Private warehouses
2. Government warehouses
3. Public warehouses
4. Co-operative warehouses

II. On the basis of commodities stored

1. General warehouses
2. Special commodity warehouses

3. Give any three functions of Warehouses.

- ♦ Storage
- ♦ Price stabilization
- ♦ Business finance

4. Tabulate the three differences between warehouse warrant and warehouse receipt.

Warehouse warrant	Warehouse receipt
1. It is a document of title of goods.	1. It is not a document of title of goods.
2. It can be negotiated or transferred to other.	2. It cannot be transferred to others.

5. Give a note on FCI.

- The FCI was set-up under the Food Corporation Act 1964.
- It provide storage facilities for food grains

III. Short Answer**1. Differentiate the warehouse warrant from the warehouse receipt.**

S.no	Warehouse warrant	Warehouse receipt
1.	It is a document of title of goods.	It is not a document of title of goods.
2.	It can be negotiated or transferred to other.	It cannot be transferred to others.
3.	It can be given as collateral security for getting finance.	It cannot be given as collateral security.

2. Comment on cold storage warehouse.

- ❖ 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.
- ❖ Goods stored in cold storages without deterioration in quality, can be made available throughout the year.

IV. Long Answer**1. Explain the different types of warehouses.****a. Private Warehouses**

- ❖ It's built and owned by private business enterprises in order to store the products produced by them.
- ❖ They are exclusively for their use and are not meant for other manufacturing or business units.

b. Government Warehouses

- They are created and operated by the Government to implement the programmes of the Government.
- Their services mostly available to government only.

c. Public Warehouse

- It is open for public at large.
- These warehouses operate as per the rules and regulations formed by the Government.

d. Co-operative Warehouses

- ▲ There are warehouses owned and managed by the marketing co-operative societies.
- ▲ They are set up to provide warehousing facilities to their members.

e. General Warehouses

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

2. Explain the advantages of warehousing functions.**(i) Storage**

- ❖ There is a time gap between the time of production and the time of consumption.
- ❖ And a gap between demand and supply.

(ii) Price Stabilization

- Warehousing ensures price stabilization by supplying goods as and when demanded.
- It supplies the goods at more or less uniform prices throughout the year.

(iii) Equalization of Demand and Supply

- Warehousing equalizes the demand and supply of goods by storing the goods when they are not demanded and releasing them when there is a demand.
- Thus the consumers get the commodities regularly even during the off-season periods.

(iv) Business Finance

- ▲ Based on the goods deposited in a warehouse, the depositor can get finance from banks and other financial institutions by showing the receipt issued by the warehouse keeper.

(v) Risk bearing

- ❖ In case of damage to the goods, warehouse keeper compensates the loss.
- ❖ Thus, warehouses bear the loss of risk involved in storage of goods.

Chapter 14- Transportation

II. Very Short Answer**1. Define transport.**

The term 'transport' includes all the clerical, mental and manual occupation involved in the operation of road, rail, canal, sea and air transport

2. State any two services rendered by transport.

- a) It increases the efficiency of production
- b) It helps in price stability by distributing goods all over the country

3. Write any two advantages of water transport.

- a) It is cheapest mode of transport
- b) It is most suitable for heavy loads.

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

- a) Bill of Lading is a document containing the terms and conditions of the contract of carriage.
- b) It is issued by the shipping company and signed by the captain of the ship.

The main contents are:

Name of Exporter, Name of the ship, Place of loading, Particulars of goods shipped, Port of destination,

The two types of bill of lading –

1. Clean bill of lading
2. Foul or claused bill of lading

2. What is charter party?

- a) When goods are to be consigned in large quantity, it is advantageous to hire the whole or substantial part of the ship.
- b) The document through which this contract is made is known as 'Charter Party'
- c) be known as 'Voyage Charter' or 'Time Charter'.

IV. Long Answer**1. Explain different types of transport.****I. Surface transport**

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

The following are the transport comes under this category

1). Pack animals	2). Bullock carts	3). Road transport	4). Motor lorries and buses
5). Railway	6). Tramways	7). Metro rail	8). Bullet train

II. Water Transport

- "Water is a free gift of nature".

- through the development science and technology and Goods can be transported throughout the country.

Water transport are two types –**1. Inland waterways**

- It comprises of river and canals.

2. Ocean water or sea transport

- Its includes coastal shipping, liner, tramps. Its is also known as international ocean transport.

III. Air Transport

Air transport is the fastest and the costliest mode of transport

1. Domestic/ national flights
2. International flights

2. Discuss the advantages of transport.**I. Advantages of Railway Transport**

1. Railways are well suited for carrying heavy and bulky goods over long distances.
2. It provide better production and safety to the goods than motor transport.
3. The goods are carried in closed wagons it protect goods from exposed to sun, rain etc.

II. Advantages of Air Transport

1. It provides a regular, convenient, efficient and quick service.
2. Perishable goods like fruits, vegetables, egg, meat, etc., can be transported quickly.
3. It does not require huge investment for construction and maintenance of track like railways.

III. Advantages of inland waterways

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

Chapter – 15 INSURANCE

II. Very Short Answer**1. List any five important type of policies.**

- | | |
|----------------------------|------------------------------------|
| 1. Whole Life Policy | 2. Endowment Life Assurance Policy |
| 3. Joint Life Policy (JLP) | 4. Annuity Policy |

2. What is health insurance?

- Health insurance policy is a contract between an insurer and an individual or group.
- Health insurance provides risk coverage against unforeseen health expenditure and safeguard against rising medical costs.

III. Short Answer**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” -*John Merge*

2. Give the meaning of crop insurance.

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

3. Write a note on IRDAI.

IRDAI – Insurance Regulatory Development and Authority of India is the statutory, independent and apex body that governs, regulates and supervises the Insurance Industry in India. The headquarters is in Hyderabad.

IRDAI is a ten member body consists of

1. One Chairman
2. Five whole-time Members
3. Four part-time Members

IV. Long Answer**1. Explain the various types of Insurance****i). Life Insurance**

- ❖ Life Insurance may be defined as a contract in which the insurance company called insurer undertakes to insure the life of a person called assured in exchange of a sum of money called premium which may be paid in one lump sum or monthly, quarterly, half yearly or yearly.

- ▲ Whole Life Policy
- ▲ Joint Life Policy (JLP)
- ▲ Annuity Policy

ii). Non – Life Insurance

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

iii). Fire Insurance

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

iv). Marine Insurance

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

v). Health Insurance

- ❖ In mid 80's, most of the hospitals in India were government owned and treatment was free of cost.
- ❖ Presently the health insurance exists primarily in the form of 'Mediclaim policy'.

2. Explain the principles of insurance.**i). Utmost Good Faith**

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

ii). Insurable Interest

- ❖ The insured must have an insurable interest in the subject matter of insurance.
- ❖ Insurable interest means some pecuniary interest in the subject matter of the insurance contract.

iii). Indemnity

- ◆ Indemnity means security or compensation against loss or damages.
- ◆ This principle ensures that the insured does not make any profit out of the insurance.

iv). Causa Proxima

- ▲ The word 'Causa proxima' means 'nearest cause'.
- ▲ The direct, the most dominant and most effective cause of loss should be taken into consideration.

v). Contribution

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

3. Discuss the causes of risk.**(i) Natural Causes**

- Human beings have little control over natural calamities like flood, earthquake, lightning etc..
- These result in heavy loss of life, property, and income in business.

(ii) Human Causes

- ▲ Human causes include such unexpected events like dishonesty, carelessness or negligence of employees, stoppage of work due to power failure, strikes, riots, management inefficiency, etc.

(iii) Economic Causes

- Financial problems like rise in interest rate for borrowing, levy of higher taxes, etc., also come under this type of causes as they result in higher unexpected cost of operation of business.

(iv) Other Causes

- ▲ These are unforeseen events like political disturbances, mechanical failures such as the bursting of boiler, fluctuations in exchange rates, etc. which lead to the possibility of business risks.

Chapter – 16 Emerging Service Business In India

II. Very short answer

1. Who is a franchisee?

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?

- ♦ **Franchising fees:** initial franchising fee and renewal fees will be the great deterrent to the franchisee.
- ♦ **Fixed royalty payment:** on a regular basis the payment should be made to the franchiser, it will reduce the income of the franchisee.

3. Who is a factor?

The factor is an agent who buys the accounts receivables (Debtors and Bills Receivables) of a firm and provides finance to a firm to meet its working capital requirements.

4. Define outsourcing.

- a) Recently a new type of business in service sector has become popular in the world.
- b) It is called the Business Process Outsourcing (BPO) - the work which is routine in nature, to an outside agency.

5. What is need for outsourcing?

1. To focus on key function
2. Benefit of specialization / efficiency
3. Cost cutting
4. Economic growth and development

6. State the importance of BPO.

1. Transferring Non Core Activities to Outsiders
2. Outsourcing Involves Contracting
3. Operational Efficiency through Outsourcing
4. Improved Customers Satisfaction

7. Write about the importance of Logistics.

- a) Logistic creates visibility in a company's supply chain
- b) It can also use this information for process optimization and avoiding potential distributions.

8. What are the benefits of KPO?

1. Usage of best skills
2. Ultimate use of knowledge
3. Finding solution to complex problem
4. Reduction of expenditure

9. Define Logistics.

Logistics Management defined - 'Design and operation of the physical, managerial, and informational systems needed to allow goods to overcome time and space.

10. What is the need for Logistics?

- a) This implies that an integrated view of a number of different activities and functions may be required.
- b) These activities are represented as part of the value chain, called the generic value chain by Porter.

11. What are the types of Logistics Applications?

1. Decision-wise
2. Actor-wise
3. Inbound logistics and
4. Outbound logistics

12. What do you mean by e-commerce?

1. E - Commerce or Electronic Commerce is the buying and selling of goods and services through electronic networks like internet.

III. Short answer**1. What are the types of franchising?**❖ **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.

❖ **Business format franchising:**

a) In this type of franchising, the franchisor awards rights covering all business aspects as a complete business package to the franchisee . *Examples: McDonald's, Pizza Hut. KFC, Hot breads, Titan,*

2. List the steps in factoring process.

- 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.
- On the due date, the amount is collected by the factor from the customer.

3. Describe the benefits of Logistics.

- Decrease in Costly Errors
- Inventory Management
- Increased Customer Service
- Access to real time freight data and analysis
- Organizational control
- Scalability and speed.

4. Explain the points of differences between Logistics and Supply Chain Management.

S.no	Logistics Management	Supply Chain Management
1.	It deals with the efficient management of a static gap between Demand	It deals with the identifying dynamic nature of the value creation such as responsiveness, quality and design.
2.	It focus on cost minimization	It focus on profit maximization.
3.	It is supply driven	It is demand driven.

5. What is the impact of e-commerce on buyers?

- ❖ It enable the Buyers to access global information about variety of products in the market
- ❖ The price of product bought through e- commerce is lower than the conventional shop
- ❖ Individuals could sell their used products through e – commerce mode with relative ease.

IV. Long answer**1. Enumerate the characteristics of franchising.**

- Franchise means selling the same product and maintaining a similar type of shop decor , style of interior decoration, organising, merchandising and management
- Franchise relationship is based on an - agreement which lays down - terms and conditions of this relationship.
- The agreement term of franchise may be for 5 years or more.
- The franchisee should not undertake to carry any other competing business during the term of the franchise
- The franchisee agrees to pay specified royalty to the franchiser, as per terms of the franchise agreement.

2. Elucidate the features of factoring.**1. Maintenance of book-debts**

A factor is an agent - takes the responsibility of - maintaining the accounts of debtors (debtor and bill receivable)- of a business institution.

2. Credit coverage

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

3. Cash advances

The factor pays - around eighty percent - of the total amount of accounts receivables – as advance cash - to the business institution..

4. Collection service

The factor provide factoring service such as -

- a) Issuing reminders, b) receiving part payments, c) collection of cheques

5. Advice to clients

The factor provide advice to the business (client) - regarding the credit worthiness - of the customer - From the past history of debtors.

3. Describe the benefits of Outsourcing.**1. Focusing on Core Activities**

- a) Companies can focus on their core competence activities of the business
b) The rest activities are non core activities can be outsource to outside agencies.(outsourcing BPO)

2. To Fill up Economic Development

Outsourcing stimulates –

- a) Entrepreneurship, b) Encourages employment opportunities,
c) Expands exports, d) Enables tremendous growth of the economy.

3. Encourages Employment Opportunities

- a) Outsourcing take up the non core activities of small business unit
b) It also provide more job opportunities and new employment avenues.

4. Reduction in Investment

- a) Through outsourcing Companies avails the services of outsiders
b) It also reduces the investment requirements.

5. Quest for Excellence

Outsourcing enables the firms to pursue excellence by extending their capabilities through contracting out.

4. Explain the points of differences between BPO and KPO.

BASIS	BPO	KPO
Acronym	Business Process Outsourcing	Knowledge Process Outsourcing
Meaning	BPO refers to the outsourcing of non-primary activities of the organization to an external organization to minimize cost and increase efficiency.	KPO is another kind of outsourcing whereby, functions related to knowledge and information are outsourced to third party service providers.
Based on	Rules	Judgement
Degree of complexity	Less complex	High complex
Requirement	Process Expertise	Knowledge Expertise
Driving force	Volume driven	Insights driven

5. Write a note on e-commerce models.**1. Business to Business (B 2 B)**

- a) business concerns transact with one another through internet.
b) For instance, Snapdeal, Flipkart, Alibaba, Indamart, Trade India. Com etc.

2. Business to Customers (B 2 C)

Under this model, business concern sells directly to consumers.

3. Consumer to Consumer (C 2 C)

- a) Under this model, customers sell directly to other customers through online

Example - Kraftly App, Other players are quirk, Olx, ebay etc..

4. Customer to Business (C 2 B)

a) Products like automobile, electronic items furniture and similar product are traded by customer through websites. *Example - Naukri.com, and Monster.com*

5. Business to Government (B 2 G)

- a) This model envisages selling products and services by business consumer to Government organization .
 b) For instance TCS operates the passport application process for the Government of India as part off - line process.

CHAPTER – 17 SOCIAL RESPONSIBILITY OF BUSINESS

II. VERY SHORT ANSWER QUESTIONS:

1. What do you mean by Social Responsibility?

- ❖ Every businessman earns prosperity from business and should give back the benefit of this prosperity to society.
- ❖ It can be said to be social responsibility of business.

2. 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.

3. What is a free enterprise?

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

4. Who are called Stakeholders?

- ◆ A business organisation is a coalition of several interest groups or stakeholders. *Example – shareholders, customers, employees, suppliers, etc.*

5. What is ethical Responsibility?

- ✧ This includes the behavior of the firm that is expected by society but not codified in law.
- ✧ There is an element of voluntary action in performing this responsibility.

III. SHORT ANSWER QUESTIONS:

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. Why you do think Social Responsibility of business is needed?**i). Creation of Society**

- ◆ Business is a creation of society and uses the resources of society.
- ◆ It should fulfill its obligations to society.

ii). Social Power:

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

iii). Free Enterprise:

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

3. What are the benefits derived by employees of a Socially Responsible business enterprise?

- Timely and regular payment of wages and salaries.
- Proper working conditions and welfare amenities.
- Opportunity for better career prospects.
- Better living conditions like housing, transport, canteen, crèches etc.
- Timely training and development.

4. Enumerate the points relating to why business units are Socially Responsible?

- ☞ Business
- ☞ Investors
- ☞ Employees
- ☞ Government
- ☞ Competitors
- ☞ Society
- ☞ Customers
- ☞ Suppliers

5. List the kinds of Social Responsibility.

- ★ Economic Responsibility
- ★ Legal Responsibility
- ★ Ethical Responsibility
- ★ Discretionary Responsibility

IV. LONG ANSWER QUESTIONS**1. Explain in detail the concept and need for Social Responsibility?****Meaning:**

- ❖ Every businessman earns prosperity from business and should give back the benefit of this prosperity to society.

Need for Social Responsibility:**i). Creation of Society**

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

ii). Social Power:

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

iii). Free Enterprise:

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

iv). Image in the Society

- A business can improve its image in public by assuming social obligations.
- Good relations with workers, consumers and suppliers help in the success of business.

v). Law and Order

- ▲ Any business unit can survive and grow only when there is law and order in society.
- ▲ If business exploits the weaker sections of society for too long, these sections will take the law in their own hands.

2. Illustrate with examples the arguments for Social Responsibility?

i). Protection of Stakeholders Interest

- A business organisation is a coalition of several interest groups or stakeholders. *Ex – shareholders, customers, employees, suppliers, etc.*

ii). Promotion of Society

- ✧ Business is a sub-system of society.
- ✧ It draws support and sustenance from society in the form of inputs.
- ✧ Socially responsible behavior is essential to sustain this relationship between business and society.

iii). Assessment of Social Impact

- ▲ During the course of its functioning, a business enterprise makes several decisions and actions.
- ▲ Its activities exercise a strong influence on the interests and values of society.

iv). Organized Social Power

- ★ Large corporations have acquired tremendous social power through their multifarious operations.
- ★ Social power may be misused in the absence of social responsibility.

v). Public Opinion

- ✘ Adoption of social responsibility as an objective will help to improve the public opinion of business.
- ✘ A good public image is a valuable asset for business. *For example maintaining parks, traffic islands and organizing awareness camps etc.,*

3. What are the arguments against Social Responsibility?

i). Dilution of Economic Goals

- ❖ By accepting social responsibility, business will compromise with economic goals.
- ❖ Business is an economic institution and its only responsibility is to make maximum possible profits for its owners.

ii). Lack of Social Skill

- ✧ Business organizations and their managers are not familiar with social affairs.
- ✧ There are special social service organizations such as Government and Non-Governmental

iii). Burden on Consumers

- ◆ If business deals with social problems, cost of doing business would increase.
- ◆ These costs will be passed on to consumers in the form of higher prices.

iv). Responsibility without Power

- Business organizations possess only economic power and not social power.
- If business is allowed to intervene in social affairs it may perpetuate its own value system.

v). Misuse of Responsibilities

- ▲ Acceptance of social responsibilities will involve diversion of precious managerial time and talent on social action programmes.
- ▲ It may result in dilution of valuable corporate resources.

4. Discuss the different groups benefited out of Social Responsibility of business?

i). Responsibility towards Owners

- ★ Run the business efficiently.
- ★ Growth and appreciation of capital.
- ★ Regular and fair return on capital invested.

ii). Responsibility towards Investors

- ✘ Ensuring safety of their investment,
- ✘ Regular payment of interest,
- ✘ Timely repayment of principal amount.

iii). Responsibility towards Employees

- ✧ Timely and regular payment of wages and salaries.
- ✧ Opportunity for better career prospects.
- ✧ Timely training and development.

iv). Responsibility towards Suppliers

- ▲ Availing reasonable credit period.
- ▲ Timely payment of dues.

v). Responsibility towards Customers

- ❖ Products and services must be able to take care of the needs of the customers.
- ❖ Products and services must be qualitative
- ❖ There must be regularity in supply of goods and services

5. How do you classify Social Responsibility?**i). Economic Responsibility**

- ◆ A business enterprise is basically an economic entity.
- ◆ Its primary social responsibility is economic produce goods and services.
- ◆ There is little discretion in performing this responsibility.

ii). 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.

iii). Ethical Responsibility

- This includes the behavior of the firm that is expected by society but not codified in law.
- There is an element of voluntary action in performing this responsibility.

iv). Discretionary Responsibility

This refers to purely voluntary obligation that an enterprise assumes, for instance, providing charitable contributions to educational institutions.

CHAPTER- 18 BUSINESS ETHICS AND CORPORATE GOVERNANCE**II. VERY SHORT ANSWER QUESTIONS:****1. What is ethics?**

- Business ethics may be defined as a set of moral standards to be followed by owners, managers and business people.
- These standards determine the conduct and behavior of business people.

2. What do you mean by code?

The organisation principles are defined in the written document called code.

3. State two ways by which ethics influences behavior?

- ❖ To offer goods at fair prices.
- ❖ To pay taxes regularly.

4. What is need for Corporate Governance?

- ✧ Balanced economic development is made possible through transparent management under corporate governance.
- ✧ All Stakeholders interests are protected and promoted through corporate governance.

5. What are MNCs?

- ▲ A Multinational corporation is an organization doing business in more than one country.
- ▲ It engages in various activities like exporting, manufacturing in different countries.

III. SHORT ANSWER QUESTIONS

1. Define business ethics.

- ❖ 'A business that is in the making of only money is a poor kind of business.' - *Hendry Ford*,
- ❖ According to Andrew Crane, "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."

2. What do you mean by the concept of business ethics?

- ★ It is a set of moral standards to be followed by owners, managers and business people.
- ★ These standards determine the conduct and behavior of business people.
- ★ Business ethics reflects the conduct in the context of business.

3. Why is ethics necessary in business?

- ✕ Ethical standards are often enacted into laws.
- ✕ Ethics and profits go together in the long run.
- ✕ It enhances the quality of life, standard of living and business.

4. What are the benefits of Corporate Governance to Share Holders?

- ◆ Ensures stable growth of organizations.
- ◆ Reduces the cost of capital for companies.
- ◆ Improves the image of the company.

5. Illustrate with example the working of a MNC

- India ranks 10th in the world in factory output
- The manufacturing sector accounts for 27.6% GDP.
- Ex: *IBM, Microsoft, Pepsi Co, Sony, Vodafone, Reebok, Nokia.*

IV. LONG ANSWER QUESTIONS:

1. Explain the different key elements of business ethics.

i). Top Management Commitment

- ▲ It has a very important role to guide the entire organization towards ethical behavior.
- ▲ The top level personnel in any organisation should work openly and strongly.

ii). Publication of a "Code"

- ◇ Generally organisations formulate their own ethical codes for the conduct of the enterprise;
- ◇ The organisation principles are defined in the written document called code.

iii). Establishment of Compliance Mechanism

- To make sure that actual decisions match with a firm's ethical standards, suitable mechanism should be established.

iv). Involving Employees at All Levels

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

v). Measuring Results

- ✕ The organizations from time to time keep a check on ethical practice followed.
- ✕ Although it is difficult to accurately measure the end results of ethics programmes.

2. Describe the code of business ethics.

Meaning:

- ❖ Code of ethics documents the generally accepted principles of ethical conduct.
- ❖ It gives a clear picture of the standards that employees should follow.
- ❖ It guides them in decision making.

The code of business ethics can include the following:

- To offer goods at fair prices.
- To pay fair wages to its employees and not to exploit them.
- To provide congenial work atmosphere.
- To keep proper books of accounts and records.
- To pay taxes regularly.

3. Explain the significance of Corporate Governance from the point of Stakeholders

- ★ Good corporate governance enables corporate success and economic development.
- ★ Ensures stable growth of organizations.
- ★ Aligns the interests of various stakeholders.
- ★ Improves investors' confidence and enables raising of capital.
- ★ Reduces the cost of capital for companies.
- ★ Improves the image of the company.
- ★ Has a positive impact on the share price
- ★ Provides incentive to managers to achieve organizational objectives.

4. Discuss the role of International Benchmarking on the working of Companies in India

i). ASIA:

- Independent Directors are a requirement for listed companies in all Asian economies.
- The 2012 Singapore corporate governance code recommends a majority of Independent Directors.
- In China, the Audit Committee is to be composed of Independent Directors only.

ii). USA

- ❖ The Council of Institutional Investors, Corporate Governance Policies state that at least 2/3rd of the directors should be independent.
- ❖ The Nominating and Corporate Governance Committee is one of the three standing committees, along with Audit Committee and Compensation Committee,.
 - ▲ Audit Committee,
 - ▲ Advisory Committee,
 - ▲ Nomination and Remuneration Committee,
 - ▲ Stakeholder Relationship Committee

iii). JAPAN

In early 2014, Japanese Prime Minister announced the goal of increasing the percentage of women in executive positions at Japanese companies to 30% by 2020.

iv). The UK

UK businesses had voluntary targets first set in 2011(i.e) to have 25% women on FTSE100 Boards by 2015

5. Describe the benefits of increasing the number of MNCs.

I. Low Cost Labour

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

II. Quality Products

MNCs establish its research and development system which helps it in producing quality goods and services at least possible cost.

III. Proper Use of Idle Resources

- ▲ MNCs are in a position to properly utilise idle physical and human resources of the host country.
- ▲ This results in an increase in the National Income of the host country.

IV. Improvement in Balance of Payment Position

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

V. Technical Development

- MNCs carry the advantages of technical development to host countries.
- Transference of technical development MNCs poor host countries also begin to develop technically.

CHAPTER – 19 SOURCES OF BUSINESS FINANCE

II. VERY SHORT ANSWER QUESTIONS:**1) Write a short note on debentures.**

- ◇ Debentures are an important instrument for raising long term debt capital.
- ◇ The individual or person subscribing to debentures is called debenture holder.

2) What do you mean by public deposits?

- ★ The companies invite public deposits by giving advertisement in the media.
- ★ It offers deposit schemes for a longer tenure.

3) Name any two sources of funds classified under borrowed funds.

- Borrowed Funds
- Debentures
- Loan from Banks and Financial Institutions
- Public Deposits
- Lease Financing

4) Name any two internal sources of business finance.

- ◆ Retained earnings,
- ◆ Trade Debtors
- ◆ Bills Receivable,
- ◆ Surplus from disposal of old assets

5) State any two factors that affect the choice of source of finance.

Cost, Risk Factor, Control, Storage of Development

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?

- ✘ 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. List sources of raising long-term and short-term finance.

Long Term Finance	Short Term Finance
i). Shares	i). Loans and Advances
ii). Debentures	ii). Bank Overdraft
iii). Public Deposits	iii). Trade Credit
iv). Long term loan from commercial banks	iv). Pledge

4. For which purpose fixed capital is needed in business?

- For the acquisition of fixed assets such as land, building, plant and machinery , motor vehicles, furniture and fixtures, etc.
- For the acquisition of intangible assets such as goodwill, patents, trademarks, and copy rights.
- For meeting promotion or preliminary expenses.

5. What do you mean by working capital requirement of business?

- ★ Short term finance usually refers to finance required by a firm for a period of one year .
- ★ It is also called as working capital finance.
- ★ It is required for investments in working capital or current assets like cash and bank balance, accounts receivables and etc.

IV. LONG ANSWER QUESTIONS:**1. List out the various sources of financing.**

The various sources of business finance can be classified into three categories on the basis of

- i) Period Basis ii) Ownership Basis iii) Source of Generation Basis**

A). On the basis of Period:

- i) Short term finance ii) Medium term finance iii) Long term finance**

i). Short Term Finance:

- i). Loans and Advances ii). Bank Overdraft iii). Trade Credit iv). Pledge
v). Discounting Bills of Exchange vi). Hypothecation vii). Commercial Paper

ii). Medium Term Finance:

- i). Loan from Banks ii). Loan from Financial institutions iii). Lease Financing

iii). Long Term Finance:

- i). Shares ii). Debentures iii). Retained Earnings iv). Public Deposits
v). Long term loan from commercial banks

B). On the Basis of Ownership

- i). Owners Fund ii). Borrower Funds**

i). Owners Fund

- i). Equity Shares ii). Retained Earnings

ii). Borrower Funds:

- i). Loan from banks ii). Loan from financial institution iii). Debentures iv). Public Deposits
v). Lease Financing

C). On the Basis of Generation of Funds

- i). Internal Source ii). External Source

2. What are the different types of short term finances given by commercial banks?***i). Bank Overdraft***

- It 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.

ii). Trade Credit

- ★ Purchaser need not pay money immediately after the purchase.
- ★ Such credit appears in balance sheet as Trade Creditors, or Accounts Payable.

iii). 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.

iv). Loans against the Securities

- ◇ Banks accept various types of securities like fixed deposit receipt, book debts, insurance policies, supply bills, shares, debentures, bonds of company, document of title to the goods and so on.
- ◇ It provides loan on the basis of the aforesaid securities.

v). Clean Loan

- ▲ Banks provide clean loan is loan given without any security or with personal security.
- ▲ It simply grants loan without any physical security.

3. Write short notes on a).Retained Earnings b). Lease financing**a). Retained Earnings:**

- ◆ Retained earnings refer to the process of retaining a part of net profit year after year and reinvesting them in the business.
- ◆ It is described to be the most convenient and economical method of finance.

b). Lease Financing:

- Lease financing denotes procurement of assets through lease.
- Leasing here refers to the owning of an asset by any individual which will be given for use to another needy business enterprise on a rental basis.

4. Write short notes on a) owner's funds b) borrowed funds**a) owner's funds**

- ❖ The profits reinvested in the business come under owner's funds.
- ❖ Owner's funds mean funds which are provided by the owner of the enterprises who may be an individual, or partners or shareholders of a company.
- ❖ These funds are not required to be refunded during the life time of business enterprise.

b) borrowed funds

- ✘ The term 'borrowed funds' denotes the funds raised through loans or borrowings.
- ✘ These borrowed sources of funds provide specific period before which the fund is to be returned.
- ✘ Borrower is under legal obligation to pay interest at given rate at regular intervals to the lender.

5. Explain any four personal investment avenues.**i). 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.

ii). Mutual Funds

- An individual investor who wants to invest in equities and bond.
- Nowadays people invest in stock markets through a mutual fund.
- Systematic investment plan is one of the best investment options in India.

iii). Real Estate Investment

- ◇ Real estate is one of the fastest growing sectors in India.
- ◇ Buying a flat or plot is supposed to be the best decision amongst the investment options.

iv). 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.

CHAPTER – 20 INTERNATIONAL FINANCE

II. VERY SHORT ANSWER QUESTIONS:**1) Who are Foreign Institutional Investors?**

FDI is an investment made by a company or an individual in one country with business interests in another country.

2) What is a Depository Receipt?

A depository receipt is a negotiable financial instrument issued by a bank to represent a foreign company's equity shares or securities.

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

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 an 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.

5) What is a Foreign Currency Convertible Bond?

Foreign currency convertible bond is a special type of bond issued in the currency other than the home currency.

III. SHORT ANSWER QUESTIONS:**1. Explain the importance of international finance.**

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

2. What are Foreign Currency Convertible Bonds?

- Foreign currency convertible bond is a special type of bond issued in the currency other than the home currency.
- Companies issue foreign currency convertible bonds to raise money in foreign currency.

3. Explain any three disadvantages of FDI**i). 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.

ii). 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.

iii). Exploiting Cheap Labour

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

4. State any three features of ADR.

- ✘ ADRs are denominated only in US dollars.
- ✘ They are issued only to investors who are American residents.
- ✘ The depository bank should be located in US.

5. State any three features of GDR.

- ★ It is a negotiable instrument and can be traded freely like any other security.
- ★ GDRs are issued to investors across the country.
- ★ It is denominated in any acceptable freely convertible currency.

IV. LONG ANSWER QUESTIONS:**1. Describe the importance of international finance?**

- 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 facilitates comparison of financial statements made by various countries.
- It helps in understanding the basics of international organisations and maintaining the balance among them.
- International finance organisations such as IMF, World Bank etc. mediate and resolve financial disputes among member nations.

2. Distinguish between GDR and ADR.

S.No	Basis	Global Depository Receipts	American Depository Funds
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	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

3. State any five features of FCCB.

- ➔ 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)

4. Explain any five advantages of FDI.

i). *Achieving Higher Growth in National Income:*

Developing countries get much needed capital through FDI to achieve higher rate of growth in national income.

ii). *Help in Addressing BOP Crisis:*

- ▲ FDI provides inflow of foreign exchange resources into a country.
- ▲ This helps the country to solve adverse balance of payment position.

iii). *Faster Economic Development*

- ◇ FDI brings technology, management and marketing skills along with it.
- ◇ These are crucial for achieving faster economic development of developing countries.

iv). *Generating Employment Opportunities*

FDI generates a lot of employment opportunities in developing countries, especially in high skill areas.

v). *Encouraging Competition in Host Countries*

- ★ Entry of FDI into developing country promotes healthy competition therein.
- ★ This leads to enterprise in developing countries operating efficiently and effectively in the market.

CHAPTER- 21

MICRO, SMALL AND MEDIUM ENTERPRISES AND SELF HELP GROUPS

II. VERY SHORT ANSWER QUESTIONS:

1. What do you understand by the manufacturing enterprises?

They refer to the enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the Industries Development and Regulation Act, 1951.

2. Give some examples for micro enterprises.

Clay Pot Making, Fruits and Vegetable Vendors, Repair Shops, Cottage Industries, Small Industries,

3. What is the aim of NEEDS?

- ◇ To providing entrepreneurship development training to educated young entrepreneurs.
- ◇ Helping them to tie up with financial institutions to set up new business ventures,

4. What is a Self Help Group?

- ✘ Self Help Group is a small informal voluntary association.
- ✘ It's created for the purpose of enabling members to reap economic benefit out of mutual help, solidarity, and joint responsibility.

5. State the investment limit for small enterprise in manufacturing and service sector.

- Manufacturing sector - More than Rs.25 lakhs but not exceeding Rs.5 Crores in small enterprises
- Servicing Sector - More than Rs.10 lakhs but not exceeding Rs.2 Crores in small enterprises.

III. SHORT ANSWER QUESTIONS:

1. State the investment limit for medium enterprise engaged in Manufacturing and service sector.

- ➔ Manufacturing sector - More than Rs.5 Crores but not exceeding Rs.10 Crores in medium enterprises.
- ➔ Servicing Sector - More than Rs.2 Crores but not exceeding Rs.5 Crores in medium enterprises

2. List out the products produced by MSME in Tamil Nadu?

Textiles, Leather Products, Chemicals, Plastics, Garments, Jewellery

3. What is the role and significance of MSMEs in Indian Economy?

- ★ Employment Potential
- ★ Low Production Cost
- ★ Low Investment
- ★ Quick Decision Making
- ★ Supplementary Role

4. Explain any three features of Self Help Group.

- ✘ The motto of every group members should be “saving first – credit latter”
- ✘ The groups need not be registered.
- ✘ Each group should have only one member from one single family.
- ✘ A group is to be formed with only men or only with women.

5. What are the different ways in which banks fund Self Help Groups?

- ▲ Banks lend directly to the SHGs.
- ▲ Banks provide loans to the NGOs for onward lending to the SHGs and ultimately to micro entrepreneurs.
- ▲ Banks extend credit to the SHGs with the NGOs serving as facilitators

IV. LONG ANSWER QUESTIONS:

1. What is the definition of MSME?

In India MSME Act 2006 was established for developing and enhancing the competitiveness of Micro, Small and Medium enterprises in India, small business is defined on the basis of investments in plant and machinery.

a). Classification of Manufacturing Enterprises:

i). Micro Enterprises:

If the investment in plant and machinery does not Rs. 25 lakhs.

ii). Small Enterprises

If investment in Plant and Machinery is more than Rs. 25 lakhs but not exceed Rs. 5 crores.

iii). Medium Enterprises:

If investment in Plant and Machinery is more than Rs. 5 crores but not exceed Rs. 10 crores.

b). Classification of Service Enterprises:

i). Micro Enterprises: If the investment in equipment does not Rs. 10 lakhs.

ii). Small Enterprises: If investment in equipment is more than Rs. 10 lakhs but not exceed Rs. 2 crores.

iii). Medium Enterprises: If investment in equipment is more than Rs.2 crores but not exceed Rs. 5 crores.

2. Explain the advantages of MSMEs?

i). Employment Potential

- ◆ MSMEs generate more employment opportunities than large business concerns.
- ◆ They are mostly labour intensive, thus they provide more employment opportunities to a larger number of people in India.

ii). Low Production Cost

- ◇ MSMEs do not require skilled labourers or professionals to run the organisation.
- ◇ These units are more cost efficient than large scale units, thus facilitates production of goods at low cost.

iii). Low Investment

- ▲ MSMEs do not require a huge capital to start the unit.
- ▲ It can employ locally available resources within the reach of the owner.

iv). Quick Decision Making

- MSMEs need not hire professional managers to run the management on a day to day basis.
- In most cases, owner himself manages the enterprises.
- Hence, timely decision making becomes easy and effective.

v). Supplementary Role

- ★ MSMEs play a complementary role to serve as a feeder to large scale industries.
- ★ They supply accessories, spare parts and components to large scale industries.

3. What are the objectives of SHGs?

- ❖ 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.
- ❖ Promoting entrepreneurship skills among women.
- ❖ Elevating the economic standard of the member's families.
- ❖ Creating the habit of saving in the minds of the people who are economically backward.
- ❖ Creating awareness about the importance of credit circle and the payment of the circle.
- ❖ Developing skills and facilitating credit linkages for eventual economic empowerment.

CHAPTER – 22 TYPES OF TRADE**II. VERY SHORT ANSWER QUESTIONS:****1. Give the meaning of Trade?**

- ◆ The buying and selling of goods and services consists of trade.
- ◆ Trade acts as an intermediary in the exchange of commodities between the producer and consumer.

2. What is Internal Trade?

Buying and selling of goods and services within the boundaries of a nation are called internal trade.

3. Mr. Vikram who runs a textile industry regularly procures cotton from Germany. Name the type of trade he is engaged in.

This is example for Import Trade.

4. When Vikram of India sells cotton shirts to Amal of England, what type of Trade he is engaged in?

This is example for Export Trade

5. How do you classify Trade?

- ✘ Internal trade
- ✘ External trade

6. What are the classifications of internal trade?

- ❖ Wholesale Trade
- ❖ Retail Trade

7. What is import trade?

Import trade means buying goods from a foreign country for domestic use. *Example: India imports petroleum products from Gulf Countries.*

8. Explain the meaning of Entrepot trade.

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

Examples: i). Export of Iron ore from India to Japan ii). Selling of Tea from India to England.

9. TVS is selling motor bikes in Europe. Under which type of trade can this be classified?

This is a Multinational Trade

10. What is the currency used in India in internal trade?

In India the currency used for Indian Rupees.

III. SHORT ANSWER QUESTIONS:**1. What is the classification of foreign trade?**

i). **Import Trade:** Import trade means buying goods from a foreign country for domestic use.

ii). **Export Trade:** Export trade means the sale of domestic goods to foreign countries.

iii). **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'.

2. Give two examples of Entrepot trade.

➔ 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.

➔ Singapore, Dubai, Hongkong are the largest Entrepot trade centers in the world.

3. What do you mean by Export trade?

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

Examples: Export of Iron ore from India to Japan, Selling of Tea from India to England.

❖ Export trade is necessary to sell domestic surplus goods, to make better utilization of resources.

❖ To earn foreign exchange, to increase national income.

4. What is Wholesale trade?

"Purchase of goods in bulk from the manufacturers and selling them in smaller quantities to other intermediaries" is known wholesale trade.

5. State the meaning of Retail trade?

Retail trade deals with the distribution of goods in small quantities to the consumers.

6. Name any three retail traders in your locality?

☞ Saravana medical Centers, Dindigul

☞ Udhayam Super Market, Dindigul

☞ Sangeetha Mobile Store, Dinndigul

7. State the main aim of trade?

❖ The buying and selling of goods and services consists of trade.

❖ The essence of trade is to make goods and services available to those persons who need them and

❖ are able and willing to pay for them.

❖ Trade acts as an intermediary in the exchange of commodities between the producer and consumer.

IV. LONG ANSWER QUESTIONS:**1. What are the features of Internal trade?**

❖ The buying and selling of goods takes place within the boundaries of the same country.

❖ Payment for goods and services is made in the currency of the home country.

❖ It involves transactions between the producers, consumers and the middlemen.

❖ In home trade the laws prevailing in that country only have to be followed.

❖ The goods must be a part of domestic production.

❖ In home trade the risk of transportation is very less when compared to the foreign trade.

❖ The aim of home trade is to provide the goods and services economically.

❖ It does not involve any custom/import duty, but buyers need to pay the taxes to the Government.

2. Explain briefly the different types of Foreign trade?

i). *Import Trade:*

Import trade means buying goods from a foreign country for domestic use. *Ex. India imports petroleum products from Gulf Countries.*

ii). *Export Trade:*

Export trade means the sale of domestic goods to foreign countries. *Ex: i). Export of Iron ore from India to Japan ii). Selling of Tea from India to England.*

iii). *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'. *Ex. Indian diamond merchants in Surat import uncut raw diamonds from South Africa.*

CHAPTER – 23 CHANNELS OF DISTRIBUTION

II. VERY SHORT ANSWER QUESTIONS:

1. Who is a middleman?

The term 'Middlemen' refers to all those who are in the link between the primary producer and the ultimate consumer in the exchange of goods or service.

2. Define Wholesaler.

"A true wholesaler is himself neither a manufacturer nor a retailer but act as a link between the two".
– Evelyn Thomas

3. Define Retailer.

The retailer is the last of the many links in the economic chain whereby the consumer's wants are satisfied smoothly and efficiently by retailers. - S. Evelyn Thomas

4. Who is a broker?

- ★ A Broker is one who bargains for another and receives commission for his service.
- ★ He is paid 'brokerage' for his services.

5. What are the classifications of the merchant middlemen?

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

6. 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. What do you understand by channels of distribution?

- ✘ A channel is the route through which the goods are passed on to the ultimate consumer.
- ✘ There are direct channels of distribution without middlemen.
- ✘ Middlemen help in the flow of goods towards the crores of consumers.

2. Who is a factor?

- ❖ A factor is a mercantile agent to whom goods are entrusted for sale by a principal.
- ❖ He takes physical possession of the goods, though he does not obtain ownership of the goods.
- ❖ A factor sells goods in his own name without revealing the name of his principal.
- ❖ He is liable for his action.

3. Explain the types of mercantile agents.

i). *Broker:*

A Broker is one who bargains for another and receives commission for his service. He is paid 'brokerage' for his services.

ii). *Factor:*

A factor is a mercantile agent to whom goods are entrusted for sale by a principal.

iii). *Commission Agents:*

A commission agent buys and sells goods on behalf of the principal for a fixed rate of commission for all his transactions.

4. Explain any three characteristics of wholesalers.

- ✧ Wholesalers buy goods directly from producers or manufacturers,
- ✧ Wholesalers buy goods in large quantities and sell in relatively smaller quantities,
- ✧ They need large amount of capital to be invested in his business,
- ✧ They generally provide credit facility to retailers,

5. What are the services rendered by the wholesalers to the manufacturers?

i). *Economies in Large Scale:*

- ◆ A wholesaler buys goods in bulk and, thereby, enables the producers to produce goods on a large scale
- ◆ Large scale production helps to reduce the cost of production per unit.

ii). *Assistance in Distribution:*

- Wholesalers collect orders from a large number of retailers scattered over a wide area and buy goods in bulk from producers.
- He enables producers to reach customers scattered over different parts of the country by distributing goods through retailers located in different areas.

iii). *Warehousing Facility:*

- A wholesaler holds large stock of goods in his private warehouse or in a rented warehouse.
- In this way he relieves the manufacturer from the function of warehousing.

IV. LONG ANSWER QUESTIONS:

1. What are the characteristics of retailers?

- A retailer has indirect relation with the manufacturer but a direct link with the consumers.
- A retailer is the link between a wholesaler and the ultimate consumer and he is the last intermediary in distribution.
- A retailer buys goods from wholesaler in bulk and resells them to consumers in small quantities.
- A retailer maintains a personal contact with his customers.
- Retailer generally involves dealing in a variety of items.
- Generally, retailers involve buying on credit from wholesalers and selling for cash to consumers.
- A retailer makes sufficient shop display of his wares to attract customers.
- Retailers aim at providing maximum satisfaction to their customers in limited area.

2. What are the functions of Wholesalers?

a. *Collection of Goods:*

Wholesaler collects the goods from manufacturers or producers in bulk.

b. *Storage of Goods:*

- ☞ Wholesaler collects and stores them safely in warehouses, till they are sold out.
- ☞ Perishable goods like fruits, vegetables, etc. are stored in cold storage facility.

c. Distribution:

Wholesaler sells goods to different retailers. Thus he performs the function of distribution.

d. Financing:

- ▲ Wholesalers provide financial support to producers and manufacturers by providing money in advance to them.
- ▲ He also sells goods to retailer on credit.

e. Risk Taking:

- ◇ Wholesaler buys finished goods from the producer and keeps them in the warehouses till the time.
- ◇ They are sold and assumes the risk arising from price, spoilage of goods, and changes in demand.

3. What are functions of Retailers?**i). Buying:**

- ★ A retailer buys a wide variety of goods from different wholesalers after estimating customer's demand.
- ★ He selects the best merchandise from each wholesaler and brings all the goods under one roof.

ii). Storage:

A retailer maintains a ready stock of goods and displays them in the shop.

iii). Selling:

- ◆ The retailer sells the goods in small quantities according to the demand taste and preference of consumers.
- ◆ He employs efficient methods of selling to increase his sales turnover.

iv). Grading and Packing:

- The retailer grades the goods which are not graded by manufacturers and wholesalers.
- He packs goods in small lots for the convenience of consumers

v). Risk-bearing:

A retailer always keeps stock of goods in anticipation of demand and bears the risk of loss due to fire, theft, spoilage, price fluctuations, etc.

4. Explain the services rendered by wholesalers to retailers.**i). Financial Assistance:**

- ➔ Wholesalers provide financial assistance to retailers by selling goods on credit.
- ➔ This is done by allowing credit to retailers purchasing goods from them

ii). Meeting the Requirements:

- ☞ Due to limited capital and lack of space in his facility a retailer cannot hold large variety of products.
- ☞ The wholesaler removes this difficulty by selling goods as and when the retailer requires.

iii). Introduction of New Products:

- ▲ Wholesalers bring new products and their uses to the notice of retailers.
- ▲ Thus retailers get knowledge about innovated products and innovated features.

iv). Price Stability:

Wholesalers reduce price fluctuations by adjusting supply and demand and save the retailers from loss arising from price fluctuations.

v). Economy in Transport:

wholesaler often delivers goods at the door steps of retailers and save their time and cost of transport.

5. What are the services rendered by retailers to wholesalers?

i). *Help in Distribution:*

Retailers relieve the manufacturers and wholesalers of the burden of collecting and executing a large number of small orders from various consumers.

ii). *Market Information:*

Retailer supply valuable information to wholesalers about changes in tastes, preferences, fashion etc. of consumers.

iii). *Large Scale Operation*

- ✘ The manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities.

iv). *Help in Promotion*

Retailers participate in the promotional activities carried by manufacturers and wholesalers such as short time offers, coupons, free gifts, sales contests, etc.

v). *Personal Attention:*

The retailer is able to provide more personal attention to his customers than the wholesaler is, He gives special services on the spot when the articles require minor repairs.

6. Explain the services rendered to consumers by Retailers.

i). *Regular Supply of Goods:*

- ◆ Retailers maintain a ready stock of various products of different manufacturers for sale to consumers.
- ◆ This enables the buyers to buy products as and when needed.

ii). *New Products Information:*

The retailers provide important information about the new arrival of products through their personal selling efforts and effective display of products.

iii). *Credit Facilities:*

- Sometimes retailers provide credit facilities to their customers.
- It enable them to increase their level of consumption.

iv). *Wide Selection:*

- ▲ Retailers generally keep stock of a variety of products of different manufacturers.
- ▲ This enables the consumers to make their choice out of a wide selection of goods.

v). *Miscellaneous Services*

- ◇ Retailers provide free door delivery services to the customers.
- ◇ They allow cash discounts on their sales.

7. What are the factors affecting a channel of distribution?

i). *Market Characteristics*

The size of the market for the goods is a major factor while selecting the route for distribution of products.

ii). *Number of Consumers*

- ★ Large purchases made by few consumers require centralized distribution.
- ★ Large number of consumers making purchases in small quantities requires more middlemen.

iii). *Cost and Time Involved in the Channel of Distribution*

- The channel cost should go along with the quality of service provided by middlemen.
- Ordinary goods are routed through economical channel even though the time taken by the channel for delivery is more.

iv). Services Required along with the Product

- ◆ Machinery or equipment which need to be installed and demonstrated should be sold with shorter channel.
- ◆ Technical services can be provided by manufacturers or by their trained technicians.

v). Life Cycle of the Product

- ✘ An established product can select an ordinary channel.
- ✘ But a new product entering into the market should be carefully promoted by experience middlemen.

CHAPTER – 24 RETAILING

II. VERY SHORT ANSWER QUESTIONS

1. What is Retailing?

Retailing is the process of selling the goods and services directly to the ultimate consumers in small quantities.

2. State the meaning of multiple shops.

A number of identical retail shops with similar appearance normally deal in standardized and branded consumer products established in different localities owned and operated by manufacturers are called as Multiple Shops.

3. Mention any two benefits of Vending Machines.

- Automatic vending machine is a new form of direct selling. It is a machine operated by coins or tokens
- Its are placed at a convenient location such as railway stations, airports, petrol pumps, etc.

4. What are specialty stores?

Speciality Stores deal in a particular type of product under one product line only.

III. SHORT ANSWER QUESTIONS

1. Explain the features of general stores.

- ▲ General Stores sell a wide variety of products under one roof, most commonly found in a local market.
- ▲ Residential areas to satisfy the day-to-day needs of the customers residing in nearby localities.
- ▲ Its provide credit facilities to their regular customers.

For example, a provision store deals in grocery, bread, butter, toothpaste, soaps, washing powder, soft drinks, confectionery, stationery, cosmetics, etc.

2. Give any four points of distinction between Hire Purchase System and Installment System of selling.

S.No	Basis	Hire Purchase System	Installment System
1.	Contract of Sale	It is not a contract of sale	It is a contract of sale
2.	Transfer of ownership	Ownership passes to the buyer only after the final installment has been paid	Ownership passes to the buyer as soon as he has paid the first installment.
3.	Rights of buyer	The buyer cannot hire, sell or pledge the articles bought.	The buyer can do anything with the article.

3. Explain the characteristics of super markets.

- ❖ Supermarkets are generally situated at the main shopping centers.
- ❖ The goods are sold on cash basis only. No credit facilities are made available.
- ❖ Supermarkets are organized on departmental basis.

4. What is meant by 'Mail Order Retailing'?

- ➔ Mail order houses are the retail outlets that sell their merchandise through mail.
- ➔ There is generally no direct personal contact between the buyers and the sellers in this type of trading.

IV. LONG ANSWER QUESTIONS

1. State the features of Departmental stores.

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 Pin to Car.
- ◇ To satisfy all the expected human needs under one roof

iii). Departmentally organized

- ✖ Goods offered for sale are classified into various departments.
- ✖ Each department specializes 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, frees home delivery, parking, etc.

v). Centralized purchasing

- ☞ All the purchases are made centrally and directly from the manufacturers.
- ☞ It operates separate warehouses whereas sales are decentralized in different departments.

2. What is meant by Consumer Cooperative Store? Explain its merits in brief.

Meaning:

A consumer's cooperative store is a retail organisation owned, managed and controlled by the consumers themselves to obtain products of daily use at reasonable low prices.

Merits:

- The capital of a cooperative store is raised by issuing shares to members.
- The management of the store is democratic and entrusted to an elected managing committee, where one man one vote is the rule.
- The cooperative stores are very famous in Tamilnadu.

For example, Kamadhenu and Chinthamani cooperative supermarkets in Chennai, Karpagam in Vellore, etc.

3. Describe the role of chambers of commerce in promotion of internal trade.

Meaning

The Chamber of Commerce and Industry is an association of business and industrial houses like merchants, financiers, manufacturers, etc. in a locality, region, or state.

Association or Chambers in India

- ◆ Confederation of Indian Industry (CII)
- ◆ Madras Chamber of Commerce, Chennai.
- ◆ Tamil Nadu Traders Associations.

Role of Association or Chambers:**i). Transportation or inter-state movement of goods**

The Chambers facilitate registration of vehicles, surface transport policies, construction of highways and roads in promoting interstate movement of goods.

ii). Harmonization CGST and SGST structure.**iii). Marketing of agro products and related issues**

The associations of agriculturists and other federations interact with farming cooperatives to streamline local subsidies and formulate marketing policies for selling agro products.

iv). Weights and measures and prevention of duplication of brands

They help the Government in formulation and implementation of uniform policies in weights and measures and prevention of duplication of brands.

v). Promoting sound infrastructure

They interact with Government to construct roads, ports, electricity, railways, etc.

CHAPTER – 25 INTERNATIONAL BUSINESS

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.
- ❖ It involves not only the international movements of goods and services.

2. What is meant by Export Trade?

When the firm of country sells goods and services to a firm of another country it is called export trade.

3. What is meant by Import Trade?

When the business firm of a country purchases goods from the firm of another country it is called import trade.

4. What is meant by Entrepot Trade?

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

5. Give any two reasons for International Business.

- Due to varying climatic conditions prevailing across the world certain resources are abundantly available in some countries.
- In such case countries with surplus resources have to exchange them with other countries for its deficit resources.

III. SHORT ANSWER QUESTIONS

1. Describe importance of the external trade to an economy?**i). Unequal Distribution of Natural Resources.**

- ◆ Countries across the world are not endowed with the natural resources of various types equally.
- ◆ The natural resources are unevenly spread across the various nations.

ii). Specialization.

- Certain countries specialize in the production of goods and services due to some natural advantages.
- Like, favorable climatic conditions, availability of natural resources, technical know how, etc.,

iii). Cost Benefit.

Production cost varies significantly among the countries due to difference in socio economic, geographical, demographical, technical and political environments prevailing therein.

2. What is the necessity for Entrepot trade?

- The country may not have any accessible trade routes connecting the importing country
- There may not have any bilateral trade agreement between both the country
- Importer and exporter may not share good economic relation with each other

3. What are the limitations of international business?**a). Import of Harmful Goods.**

- ★ International business may lead to import of luxurious goods, spurious goods, dangerous goods.
- ★ It may harm the well-being of people.

b). Misuse of Natural Resources.

- ✘ Excessive export of scarce natural resources to various countries across the world may lead to faster depletion of the resources in the exporting countries.
- ✘ This in turn may bring about ecological disaster in the country from which it is exported.

c). Rivalry among the Nations.

- ◇ Acute competition for exports may lead to rivalry among the nations.
- ◇ This may lead to conflict of interest among the countries and end up in wars among them.

IV. LONG ANSWER QUESTIONS**1. List out the advantages of international trade****i). Geographical Specialization:**

Countries across the world differ significantly in terms of natural resources, capital equipment, manpower, technology and land and so on.

ii). Economic Development:

International business helps the developing countries greatly in achieving rapid economic development.

For example China, India, Brazil and South Korea

iii). Generation of Employment:

- ◇ International business generates employment opportunities by assisting the expansion.
- ◇ It provides direct employment to those people who are hired by export and import firms.

iv). Higher Standard of Living:

- ★ The citizens of the country can buy more varieties of goods and services which cannot be produced cost effectively within the home country.
- ★ This exchange of goods and services among the countries enhances the standard of living of people.

v). Prospects for Higher Profit:

- ✘ International business helps the firms which produce goods in excess to sell them at relatively higher price to various countries in the international market.
- ✘ This enables them to earn higher profit.

2. Enumerate the disadvantages of international trade**a). Inhibition of Growth of Home Industries.**

- ◆ International business may discourage the growth of indigenous industry.
- ◆ Unrestricted imports and severe competition from foreign companies may ruin the home industries altogether.

b). Import of Harmful Goods.

- International business may lead to import of luxurious goods, spurious goods, dangerous goods.
- It may harm the well-being of people.

c). Shortage of Essential Goods in Home Country.

Moreover the export of essential commodities out of the greed of earning more foreign exchange may result in absolute shortage of these goods at home country.

d). Misuse of Natural Resources.

Excessive export of scarce natural resources to various countries across the world may lead to faster depletion of the resources in the exporting countries.

e). Rivalry among the Nations.

- ▲ Acute competition for exports may lead to rivalry among the nations.
- ▲ This may lead to conflict of interest among the countries and end up in wars among them.

3. Distinguish between internal and international trade

S.No	Basis	Internal Trade	International Trade
1.	Meaning	It refers to business transactions transacted within the geographical boundaries of a country	It refers to the business transactions transacted in beyond the boundaries of a country
2.	Participants in the business	Within the country people	Outside of the country people
3.	Mode of transport	It is mainly transported by roadways and railways.	It is mainly transported by water and airways
4.	Currency used	Local currency of a country.	Foreign currencies.
5.	Risk Exposure	The risks are relatively less.	This risks are high
6.	Scope of market	The scope of market is Limited	The scope of market is unlimited

CHAPTER – 26 EXPORT IMPORT PROCEDURES**II. VERY SHORT ANSWER QUESTIONS****1. What is meant by Indent?**

- ▲ An indent actually points to an order received from abroad for export of goods. i.e. sale of goods.
- ▲ The indent contains the details in the box.

2. Write any two export promotion institutions.

- ◇ Export Promotion Council
- ◇ State Trading Corporation

3. Mention the types of Indent.

- ★ Open Indent
- ★ Closed Indent
- ★ Confirmatory Indent.

4. What is the Letter of credit?

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

III. SHORT ANSWER QUESTIONS**1. What are the contents of Indents?**

- 1). Quantity of goods sent, 2). Design of goods, 3). Price, 4). Nature of packing shipment, 5). Mode of shipment 6). Period of delivery, 7). Mode of payment

2. What is meaning of consular invoice?

- Where the customs duties are charged on the basis of value of goods at import's port.
- The customs officers are empowered to open the consignment to calculate duties.
- In order to avoid this problem exporter obtains consular invoice and sends it over to the importer.

3. What is meant Charter Party?

- ◆ A charter party is a formal agreement between ship owner and the exporter.
- ◆ The hiring of ship for specific voyage is called voyage charter.
- ◆ This hiring of entire ship for a specific time period is called time charter

4. Write a short note on Mate's receipt?

- ✘ It is the document issued by the captain of the ship acknowledging the receipt of goods on board.
- ✘ This contains details like quantity of goods shipped, number of packages condition for packing.
- ✘ Where the Mate is satisfied with packing he/she issues clean receipt.
- ✘ If he/she is not satisfied with packing, he/she issues foul receipt.

5. What is Bill of Lading?

- ➔ It refers to a document signed by ship owner or to his agent mentioning that goods specified have been received.
- ➔ It would be delivered to the importer or his agent at the port of destination if good condition subject to terms and conditions mentioned therein.

IV. LONG ANSWER QUESTIONS

1. What are the procedures relating to Export trade?

i). Receiving Trade Enquiry

In the first place importer requests the exporter to supply the information given right below.

- ☞ Quantity of goods available.
- ☞ Price per unit
- ☞ Terms and conditions of shipment and payment
- ☞ Probable delivery time

ii). Receiving Indent and Sending Confirmation

- ▲ An indent actually points to an order received from abroad for export of goods. i.e. sale of goods.
- ▲ The indent contains the details in the box.
- ▲ Indent is prepared in duplicate.

iii). Arranging Letter of Credit

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

iv). Obtaining Importer Exporter Code and RBI code Number

- ◇ Exporter has to apply in Ayaab Niriyatt Form 2A to the Regional Authority of the Director General of Foreign Trade in the region where the registered office of the company is located.
- ◇ Exporter has to mention the number in all the shipping documents.

v). Export Inspection Certificate

- ★ After the goods have been packed as per the specifications of importer, the exporter has to apply to the Export Inspection Agency in this connection.
- ★ The agency sends an inspector to inspect the consignment

2. Distinguish between Bill of Lading and Charter Party

S.No	Basis	Bill of Lading	Charter Party
1.	Transferable	It can be transferred to third party by endorsement and delivery	It cannot be transferred to third party
2.	Loan	Loan can be raised against it	Loan cannot be raised against it
3.	Crew	Master and crew remain the agent of ship owner	Master and crew become the agent of exporter for a temporary period
4.	Lease	It is not a lease of ship	It is a lease of ship

3. What are the documents used in Export Trade?

i). Documents Related to Goods:

- ★ Indent
- ★ Certificate of origin
- ★ Certificate of Inspection

ii). Documents Related to Shipment

- ❖ Mate's Receipt
- ❖ Shipping Bill
- ❖ Shipping Order
- ❖ Bill of Lading
- ❖ Marine Insurance Policy
- ❖ Consumer Invoice

iii). Documents Related to Payment

- ⊗ Letter of Credit
- ⊗ Commercial Invoice
- ⊗ Bills of Exchange

4. Explain the various functions of Export Trading Houses.

- Identifying potential market for a product
- Finding buyers and their agent and eliciting their response for export proposal.
- Preparing the goods for delivery at destination
- Determining buyer's creditworthiness
- Negotiating the transactions
- Financing the transactions and paying for goods and service received.
- Preparing document for international trade
- Settling claim.

CHAPTER – 27 FACILITATORS OF INTERNATIONAL BUSINESS

II. VERY SHORT ANSWER QUESTIONS:

1. What is WTO?

- ☞ The World Trade Organisation (WTO) was established on 1st January 1995.
- ☞ WTO has 164 member countries as on 29th July 2016.

2. What do you mean by World Bank?

- ▲ International Bank for Reconstruction and Development is commonly known as World Bank.
- ▲ It is located at Washington DC. It has its offices all over the world.

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

4. What is SAARC?

- ★ South Asian Association for Regional Cooperation is the regional inter governmental organization and geo-political union of nations in South Asia.
- ★ The member countries include Bhutan, India, Nepal, Srilanka, Pakistan and Maldives.
- ★ It was established on 8th December 1985. It was founded at Dhaka in Bangladesh.

5. What is GATT?

- International business involved complex issues among various countries way back in 1950's.
- As a result, the General Agreement on Tariffs and Trade was signed at Geneva on 30th October 1947 by 23 countries.

III. SHORT ANSWER QUESTIONS:**1. What is the primary motive of establishment of WTO?**

- ➔ Improving the standard of living of people in member countries
- ➔ Expansion of trade in goods and services
- ➔ Ensuring full employment and large steady growth volume of real income and effective demand

2. Name the affiliate of World Bank

- ✘ International Development Association (IDA)
- ✘ International Financial corporation (IFC)
- ✘ Multinational Investment Guarantee Agency(MIGA)

3. What are the criticisms of World Bank?**i). Most Favored Nation Principles**

- ◆ This is the core of WTO rules.
- ◆ Under this rule member countries are advised not to discriminate among the home enterprises, multi-nationals and foreign enterprises.

ii). Failure to Reduce Tariffs on Agriculture

- WTO failed to convince the USA and European Unions to eliminate high tariff on agriculture .
- It defends high tariff on agriculture in USA and EU.
- This would undoubtedly hurt the farmers in developing countries.

iii). Neglect of Cultural and Social Factors

- WTO is criticized for promoting the domination of multinational companies which are feared to eliminate local enterprises from business world altogether.
- The growth of MNC's is feared to ruin cultural diversity of many developing countries.

4. How is the value of SDR determined currently?

- ◇ It is calculated as the sum of specific amount of each basket currency value in US dollar based on the spot exchange rates observed at noon London time.
- ◇ IMF allocates SDR to member countries in proportion to their quota.

5. Mention the functions of SAARC.

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

IV. LONG ANSWER QUESTIONS:**1. Point out the objectives of WTO**

- 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 WTO.

- ★ It is a forum for negotiation and formalization of trade agreement among the member countries.
- ★ It settles disputes and grievances relating to trade among the member countries.
- ★ It frames commonly acceptable code of conduct in order to reduce trade barriers.

- ★ It holds consultations with IMF and World Bank (IBRD) and its affiliates to bring about a greater understanding and co-operation in global economic policy making.
- ★ It supervises the operations of agreement relating to General Agreement on Tariffs and Trade (GATT) and Trade-Related Intellectual Properties Rights (TRIPS)
- ★ It regulates trade between participating countries.

3. Describe the benefits of WTO

- ✕ WTO is promoting international peace and creating a 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.
- ✕ It stimulates economic growth of developing countries by providing them with much needed capital
- ✕ and giving related matters.

4. Highlights the functions of IBRD

- ▲ Assisting reconstruction of war-affected countries
- ▲ Promoting economic growth and balanced growth of international business
- ▲ Promoting infrastructural facilities like energy and transportation, road development, etc. in member countries.
- ▲ Encouraging agricultural and industrial development in developing countries by providing adequate resources
- ▲ Providing resources for promoting sanitation, education, health care and small scale enterprises in member countries

5. Write down the functions of IMF

- ◇ It acts as short term credit institution at the international level.
- ◇ It provides machinery for ordinary adjustments of exchange rates.
- ◇ It promotes economic stability and global growth by encouraging countries adopt sound economic and financial policies.
- ◇ It offers technical assistance and training to help member countries strengthen and implement effective policies.
- ◇ It helps member countries correct their imbalance in balance of payment.

6. Explain how far India has benefited from IMF?

i). *Free Convertibility of Indian Rupee:*

- ◆ Indian rupee has become independent after the establishment of IMF.
- ◆ Earlier it was linked with pound sterling.
- ◆ Its value is now determined in terms of Gold.

ii). *Loan For Development Activities:*

India got several loan facilities from IMF for its several development projects.

iii). *Ability To Purchase Foreign Currency*

Government of India is able to purchase foreign currencies from time to time to meet the ever growing requirement of development activities.

iv). *Expert Advice*

- ☞ India used to get expert advice from IMF for solving the economic problems.
- ☞ It has given valuable advice to India with regard to financing its 5 year plan.

v). *Financial Assistance during Natural Calamity*

- India has got a lot of financial assistance from IMF to solve the economic crises arising from natural calamities like, floods, famine, earthquake, aggressions of Chinese and Pakistan etc.

CHAPTER – 28 BALANCE OF TRADE AND BALANCE OF PAYMENTS

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.

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 favorable balance of trade.

3. Define Balance of payments

“The balance of payments for given period is a systematic records of all economic transactions taken place during the period between residents of the reporting countries.” - *International Monetary Fund*

4. What is the composition of private capital?

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

5. Mention the components of banking capital.

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

6. Mention the components of official capital.

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

III. SHORT ANSWER QUESTIONS

1. Why is Balance of payment prepared?

- ▲ Balance of payment is the principal tool for analyzing the monetary position of international trade of a country.
- ▲ Balance of payments help in framing monetary, fiscal and trade policies of country.
- ▲ Government keenly observes balance of payment position of its important trade partners in making policy decisions.

2. What does Balance of payment disclose?

- ◇ A Balance of Payment surplus indicates that country's exports are more than its imports and its government and residents are savers.
- ◇ They are in position to have enough capital to pay for its domestic production.
- ◇ As a result it boosts the economic growth in the short term.

3. What are the credit items shown in currents accounts?

- ❖ Goods Export(visible)
- ❖ Invisible Exports
- ❖ Transport service sold abroad
- ❖ Banking service sold abroad

4. State the components of capital account.

- ➔ Private Capital
- ➔ Banking Capital
- ➔ Official Capital

IV. LONG ANSWER QUESTIONS**1. Write down the structure of capital account**

Capital account consists of three components

- ☞ Private Capital
- ☞ Banking Capital
- ☞ Official Capital

i). Private Capital

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

ii). Banking Capital

Banking capital includes movement into external financial asset and liabilities commercial and cooperative

banks authorized to dealing in foreign exchange.

iii). Official Capital

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

2. Distinguish balance of payment and balance of trade

S.No	Basis	Balance of Payment	Balance of Trade
1.	Meaning	It is a systematic record of all economic transactions happened between the resident of one country and resident of foreign countries during a particular period.	Balance of trade is statement showing the net effect of export and import of a country
2.	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
3.	Capital Transactions	It records capital transactions	It does not record capital transactions
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 unfavorable 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.

3. Highlight the features of balance of trade.

- ★ 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

CHAPTER – 29 ELEMENTS OF CONTRACTS

II. VERY SHORT ANSWER QUESTIONS:

1. What is law?

- Law means a 'set of rules' which governs our behavior and relating in a civilized society.
- So there is no need of Law in a uncivilized society.

2. Why should one know law?

- ▲ Society requires peace, harmony, justice, social security and order which is possible only through Laws.
- ▲ Every law has a particular field of activity to regulate and govern.

3. Can a minor enter into a Contract?

No, a minor cannot enter into contract.

4. Who can enter into a Contract?

The Indian Contract Act specifies that every person is competent to contract provided he is of the age of majority according to the law which he is subject to and who is of sound mind.

5. Define Contract?

A "contract" is an agreement enforceable by law. The agreements not enforceable by law are not contracts. - Indian Contract Act, 1872

III. SHORT ANSWER QUESTIONS

1. Define Offer

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?

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

3. Define a Voidable Contract

- ◆ 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.

4. What do you mean by Revocation?

The revocation mean the withdraw of an offer power of attorney

5. Who is a promisor, promisee?

promisor: The person who has become obliged through a promise (usually expressed in a contract) towards another.

Promise: the person who makes a promise or a contractual commitment

IV. LONG ANSWER QUESTIONS

1. Explain the essentials of a Valid Contract

i). Offer and Acceptance

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

ii). 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.

iii). Lawful Consideration

- ▲ As per Contract Act under Sec.2 (d) Consideration means something in return.
- ▲ A contract without consideration becomes invalid.
- ▲ It may be in cash or kind or in any form as specified in the act.

iv). Lawful Object (Section 23)

- ◇ The object of agreement should be lawful and legal.
- ◇ It must not be immoral, illegal or opposed to public policy.

v). 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.

2. Difference between Contract and Agreement.

S.No	Basis	Contracts	Agreement
1.	Definition	It is an agreement enforceable by law.	It is every promise forming Consideration
2.	Enforceability	Every contract is enforceable	Every promise is not enforceable.
3.	Inter relationship	It includes an agreement.	It does not include a contract.
4.	Validity	Only legal agreements are called contracts.	An agreement may be both legal and illegal.
5.	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 Validity.

i). Valid Contract

An agreement which fulfils all the essentials prescribed by law on the basis of its creation.

For ex: S offers to sell his car for Rs.2,00,000 to T. T agrees to buy it.

ii). Void Contract (2(j))

A contract which does not satisfy any of the essential elements of a valid contract is said to be Void.

For ex: A contract between drug dealers to buy and sell drugs is a void contract.

iii). Voidable Contract 2(i)

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.

iv). Illegal Contract

- ◆ It is a contract which is forbidden by law.
- ◆ All illegal agreements are Void but all void agreements or contracts are not necessarily illegal.

v). Unenforceable Contract

- ▲ Where a contract is unenforceable because of some technical defect i.e. absence in writing barred by imitation etc.
- ▲ If the parties perform the contract it will be valid, but the court will not compel them if they donot

4. Explain the classification of Contract on the basis of the Formation.

i). Express Contract

- ★ A contract made by word spoken or written.
- ★ According to Section. 9, in so far as the proposal or acceptance of any promise is made in words, the promise is said to be express.

ii). Implied Contract

- ❖ It is one, which is not expressly written but understood by the conduct of parties.

- ❖ Where the proposal or acceptance of any promise is made otherwise than in words, the promise is said to be implied.

iii). *Quasi Contract*

- ✘ It is a contract created by law. Actually, there is no contract.
- ✘ It is based on the principle that “a person shall not be allowed to enrich himself unjustly at the expense of the other”.

iv). *Tacit Contract*

A contract is said to be tacit when it has to be inferred from the conduct of the parties.

For ex: obtaining cash through automatic teller machine, sale by fall of hammer of an auction sale.

5. Explain the classification of Contract on the basis of the Performance.

i). *Executed Contract*

A contract in which both the parties have fulfilled their obligations under the contract.

For ex: X contracts to buy a car from Y by paying cash, Y instantly delivers his car.

ii). *Executory Contract*

- A contract in which both the parties are yet to fulfill their obligations.
- It is said to be an executory contract.

iii). *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.

iv). *Bilateral Contract*

A contract in which both the parties commit to perform their respective promises is called a bilateral contract.

CHAPTER – 30 PERFORMANCE OF CONTRACT

II. *VERY SHORT ANSWER QUESTIONS:*

1. State the ways of Performing a Contract.

- ➔ Actual performance
- ➔ Attempted performance

2. Who is a Legal Representative?

If the Promisor dies the legal representative of the deceased promiser is bound to perform the contract.

3. Who is an agent?

The promisor may employ a competent person such as agent to perform the promise, if the contract is not formed on personal condition.

4. Define Reciprocal Promise.

Promises which form consideration or part of consideration for each other are called ‘Reciprocal Promise’.

5. By whom must contracts be performed?

- Promisor himself
- Agent,
- Representations

III. *SHORT ANSWER QUESTIONS*

1. What is a valid tender?

A valid tender of performance is considered to be the performance of a promise. There are mainly two ways of performing contracts:

i. Actual Performance

- ☞ When the party has done what he had undertaken to do, it is called actual performance.
- ☞ In actual performance, the party is to fulfill all his obligations under the contract.

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 can execute and perform a Contract?

- ▲ Promisor himself
- ▲ Agent
- ▲ Representations
- ▲ Third Person
- ▲ Promise

3. Who can demand performance?

- ★ Promisee – Only a promisee can demand performance and not a stranger demand performance of the contract.
- ★ Legal Representative – Legal representative can demand Exception performance. Contrary intention appears from the contract. Contract is of a personal nature.
- ★ Third party – Exception to “stranger to a contract”

4. Write a note on the benefits of Reciprocal Promise.

Promises which form consideration or part of consideration for each other are called ‘reciprocal promise’.

- ❖ Mutual and Independent
- ❖ Mutual and Dependent
- ❖ Mutual and Concurrent

5. Who is a Joint Promisor?

Where two or more persons have made a joint promise, a release of one of such joint promiser by the promisee does not discharge the other joint promiser, neither does it free the joint promiser.

IV. LONG ANSWER QUESTIONS**1. Explain rules relating to place of performance of promise**

- ❖ It is only the promisee for whom the contract is performed.
- ❖ Only the promisee can demand the performance of the promise under a contract.
- ❖ Of course, there are certain special cases, where a third party can enforce a promise though he is not a party to the contract.
- ❖ For example in respect of trust, marriage settlement etc.
- ❖ In case of death of promisee, the representative appointed by him can ask for the performance of the promise under a contract.

2. Elucidate the provision regarding time as factor in performance.**i). Under Section 46, performance within a reasonable time:**

- ❖ According to Section 46, a promisor is to perform his promise within a reasonable time.
- ❖ On the other hand, reasonable time will depend upon the circumstance of the case, the usage of trade or on the intention of the parties entering into the contract.

ii). Under Section 47, specified time and place for performance:

According to the Section 47, In such a case the promisor may perform the promise at any time during the usual hours of business on such day and at the place at which the promise ought to be performed.

3. How do you think appropriation of payments takes place?

i). 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.
- ◆ In such a case, a question arises as to which particular debt the payment is to be appropriated.

ii). 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.

iii). 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 debts are of equal standing the payment shall be applied in discharge of each of these debts proportionately.

CHAPTER – 31 DISCHARGE AND BREACH OF CONTRACT

II. VERY SHORT ANSWER QUESTIONS

1. What are the kinds of consent?

- ➔ Express : Express consent may be given at the time of formation of the contract to its formation
- ➔ Implied : 1) Novation, 2) Alteration, 3) Recession, 4) Remission, and etc...

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 is 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'.

III. SHORT ANSWER QUESTIONS

1. What are the different modes of discharged by implied 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.
- ⊗ The consent may be of the following types (i) Express: (ii) Implied:

2. Define discharge by Performance.

- According to the Section 56 of the Act, all acts to do impossible acts are void.
- There are two types of impossibility of performance such as –
- Impossibility existing at the time of agreement.
- Impossibility arising subsequent to the formation of contract.

3. What are reasons for impossibility arising after the formation of contract?

A contract may be discharged if its performance becomes impossible.

- ☞ The law does not recognize what is impossible and
- ☞ What is impossible does not create an obligation.

4. What are the various rules regarding 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.

IV. LONG ANSWER QUESTIONS

1. Explain the ways of discharge of Contract?

i). 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 of contract may be of two types namely:
 - i) Actual performance
 - ii) Attempted performance

ii). By Agreement on Consent:

The consent may be of the following types

(i) Express: Express consent may be given at the time of formation of the contract to its formation

(ii) Implied: The contracts are also discharged by implied consent, different modes of discharge by implied consent are

- | | | | |
|------------------------------|-----------------|----------------|----------------|
| (a) Novation, | (b) Alteration, | (c) Recession, | (d) Remission, |
| (e) Accord and Satisfaction, | (f) Waiver and | (g) Merger | |

iii). 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

- ◆ The law does not recognize what is impossible and
- ◆ What is impossible does not create an obligation.

iv). 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.

v). 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:
 - By Death
 - By Merger
 - By Insolvency

2. Write about the various remedies for breach of contract

(i) Rescission 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.

(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.
- The main purpose of awarding the damages is to make good the loss suffered by him.

3. Discuss the different types of damages awarded to the injured party.

- ★ 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.
- ★ The Section 73 of the Indian Contract Act, 1872 deals with the compensation for loss or damages caused by a party for breach of contract.
- ★ There are mainly four types of damages, such as
 - ➔ Ordinary damages
 - ➔ Special damages
 - ➔ Exemplary damages
 - ➔ Nominal damages.

CHAPTER- 32 DIRECT TAX

II. VERY SHORT ANSWER QUESTIONS

1. What is Income tax?

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

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.

3. Define the term person?

- ❖ an individual,
- ❖ a Hindu Undivided Family (HUF),
- ❖ a company,
- ❖ a firm,
- ❖ a local authority, and
- ❖ every artificial juridical person

4. Define the term assessee?

Assessee means a person by whom any tax or any other sum of money is payable under this Act. It includes every person in respect of whom any proceeding has been taken for the assessment of his income.

5. What is an assessment year?

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. What is Gross Total Income?

➔ Income from all the five heads of income shall be computed separately according to the provisions given in the Act.

(i) Income from 'Salaries'	*****
(ii) Income from 'House Property'	*****
(iii) Income from 'Business or Profession'	*****
(iv) Income from 'Capital Gains'	*****
(v) Income from 'Other Sources'	*****
Gross Total Income (GTI)	*****

2. List out the five heads of income.

- Income from 'Salaries' [Sections 15- 17];
- Income from 'House Property' [Sections 22-27];
- Income from 'Profits and Gains of Business or Profession' [Sections 28- 44];
- Income from 'Capital Gains' [Sections 45-55]; and
- Income from 'Other Sources' [Sections 56-59].

3. Write a note on Agricultural Income.

- ☞ Any rent or revenue derived from land which is situated in India and is used for agriculture purposes.
- ☞ It is fully exempted from tax u/s 10(1) and as such does not form part of total income.

4. What do you mean by Total Income?

- ★ Out of Gross Total Income, Income tax Act 1961 allows certain deductions under section 80.
- ★ After allowing these deductions the figure which we arrive at is called 'Total Income' and on this figure tax liability is computed at the prescribed rates.

Gross Total Income	*****
Less: Deductions (Sec.80C to 80U)	*****
Total Income (T.I.)	*****

5. Write short notes on: a). Direct Tax. b). Indirect Tax

a). Direct Tax:

- ▲ Income tax is direct tax.
- ▲ It is because the liability to deposit and ultimate burden are on same person.
- ▲ The person earning income is liable to pay income tax out of his own pocket.
- ▲ It cannot pass on the burden of tax to another person.

b). Indirect Tax

- ◇ Indirect Tax is levied on the goods and services.
- ◇ It is collected from the buyers by the sellers and paid by the sellers to the Government.
- ◇ Since it is indirectly imposed on the buyers it is called indirect tax.
- ◇ Ex: GST - Goods and Services Tax, Excise duty.

IV. LONG ANSWER QUESTIONS

1. Elucidate any five features of Income Tax.

i. Levied as Per the Constitution

Income tax is levied in India by virtue of entry No. 82 of list I (Union List) of Seventh Schedule to the Article 246 of the Constitution of India.

ii. Levied by Central Government

- Income tax is charged by the Central Government on all incomes other than agricultural income.
- However, the power to charge income tax on agricultural income has been vested with the State Government as per entry 46 of list II, i.e., State List.

iii. Direct Tax

- ➔ Income tax is direct tax.
- ➔ It is because the liability to deposit and ultimate burden are on same person.
- ➔ It cannot pass on the burden of tax to another person.

iv. Annual Tax

Income tax is an annual tax because it is the income of a particular year which is chargeable to tax.

v. Tax on Person

- ☞ It is a tax on income earned by a person.
- ☞ It includes individual, Hindu Undivided Family, Firm, Company, local authority, Association of person or body of Individual or any other artificial juridical persons.
- ☞ The persons who are covered under Income tax Act are called 'assessee's'.

2. Define Tax. Explain the term direct tax and indirect tax with an example.

Tax:

- ✧ Tax is a compulsory contribution to state revenue by the Government.
- ✧ It is levied on the income or profits from business of individuals and institutions.
- ✧ Tax is the basic source of revenue to the Government.

Types of Taxes

a). Direct Tax:

- ❖ Income tax is direct tax.
- ❖ It is because the liability to deposit and ultimate burden are on same person.
- ❖ The person earning income is liable to pay income tax out of his own pocket.
- ❖ It cannot pass on the burden of tax to another person.

b). Indirect Tax

- ⊗ Indirect Tax is levied on the goods and services.
- ⊗ It is collected from the buyers by the sellers and paid by the sellers to the Government.
- ⊗ Since it is indirectly imposed on the buyers it is called indirect tax.
- ⊗ Ex: GST - Goods and Services Tax, Excise duty.

3. List out any ten kinds of incomes chargeable under the head income tax.

- Profits and gains of business or profession.
- Dividend
- Voluntary contribution
- 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.
- Deemed income u/s 41 or 59.
- Amount received under key man insurance policy including bonus thereon.

- Gift as defined u/s 56 (2)(vi), and others.

4. Discuss the various kinds of assesses.

- ★ Assessee means a person by whom any tax or any other sum of money is payable under this Act.
- ★ It includes every person in respect of whom any proceeding has been taken for the assessment of his income or assessment of fringe benefits.
- ★ The term 'person' includes the following
 - ◆ an individual,
 - ◆ a Hindu Undivided Family (HUF),
 - ◆ a company,
 - ◆ a firm,
 - ◆ an Association Of Persons or a Body
 - ◆ a local authority, and
 - ◆ every artificial juridical person e.g., an idol or deity.

CHAPTER- 33 INDIRECT TAXATION

II. VERY SHORT ANSWER QUESTIONS

1. Define Indirect tax.

If tax is levied on the goods or services of a person is collected from the buyers by another person (seller) and paid by him to the Government it is called indirect tax. *E.g. GST, Excise duty.*

2. List out any four types of indirect taxes levied in India.

- ❖ CGST
- ❖ SGST
- ❖ UGST
- ❖ IGST

3. What do you mean by Goods and Services Taxes?

- ▲ Goods and Services Tax (GST) is the tax imposed on the supply (consumption) of goods and services.
- ▲ GST Act was passed on April 12, 2017, GST came into effect from 1st July, 2017.

4. Write a note on 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.)

5. 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. Write any two differences between direct taxes and indirect taxes.

S.No	Basis	Direct Tax	Indirect Tax
1.	Burden	Tax burden is progressive on people.	Tax burden is regressive.
2.	Evasion	Tax evasion is possible.	Tax evasion is more difficult
3.	Shiftability	Cannot be shifted to others	Can be shifted to others

2. What are the objectives of GST?

- The foremost objective of GST is to create a common market with uniform tax rate in India.

- 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.

3. Briefly explain the functions of GST council.

A. To the Society and country

- ❖ GST has integrated the economy of all States and Union Territories.
- ❖ It will bring more tax compliance (more tax payers) and increase revenue to the Governments.

B. To Business Community

- ★ Simpler Tax System with fewer exemptions. 17 taxes were abolished and one tax exists today.
- ★ Input tax credit will reduce cascading effect of taxes.
- ★ Uniform prices throughout the country. Expansion of business to all states is made easy.

C. To Consumers

- ❖ Input tax credit allowed will lower the prices to the consumers.
- ❖ All small retailers will get exemption and purchases from them will cost less for the consumers.

4. Explain IGST with an example.

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

5. Write any three demerits of UGST.

- ▲ 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.
- ▲ 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.
- ▲ After GST, garments and clothes could become more expensive.

IV. LONG ANSWER QUESTIONS

1. Distinguish between direct taxes and indirect taxes.

S.No	Basis	Direct Tax	Indirect Tax
1.	Burden	Tax burden is progressive on people	Tax burden is regressive.
2.	Evasion	Tax evasion is possible.	Tax evasion is more difficult
3.	Inflation	Direct tax helps in reducing the inflation.	Indirect tax contributes to inflation
4.	Shiftability	Cannot be shifted to others	Can be shifted to others
5.	Examples	Income Tax, Wealth Tax, Capital Gains Tax, Securities Transaction Tax, Perquisites Tax.	GST. Excise Duty

2. Discuss the different kinds of GST.

GST is of three kinds: CGST, SGST/UGST, and IGST.

i). 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

ii). SGST

State Goods and Services Tax - imposed and collected by the State Governments under State GST Act.

iii). UGST

Union Territory Goods and Services Tax - imposed and collected by the five Union Territory

Administrations in India under UGST Act 2017.

iv). IGST

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

v). 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.

3. Elucidate the merits of GST.

A. To the Society and country

- ✧ GST has integrated the economy of all States and Union Territories.
- ✧ It will boost manufacturing, export, GDP leading to economic growth through increase in economic activity.
- ✧ Creation of more employment opportunities which will result in poverty eradication.
- ✧ It is transparent and will improve India's ranking in the 'Ease of Doing Business' in the world.
- ✧ Uniform rates of tax will reduce tax evasion and rate arbitrage between States.

B. To Business Community

- ☞ Simpler Tax System with fewer exemptions. 17 taxes were abolished and one tax exists today.
- ☞ Input tax credit will reduce cascading effect of taxes.
- ☞ Common procedures, common classification of goods and services and timelines will lend greater certainty to taxation system.
- ☞ Uniform prices throughout the country. Expansion of business to all states is made easy.

C. To Consumers

- ➔ Input tax credit allowed will lower the prices to the consumers.
- ➔ All small retailers will get exemption and purchases from them will cost less for the consumers.

4. Compare CGST, SGST and IGST.

S.No	Basis	CGST	SGST	IGST
1.	Meaning	CGST means Central goods and service tax to replace the existing tax like service tax, excise, etc.	SGST means State goods and service tax, replace the existing tax like sales tax, luxury tax, entry tax, etc.	IGST refers to it is a combined form of CGST and IGST and it is levied by central government.
2.	Collection of tax	Central government	State government	Central government
3.	Applicability	Intra-state supply	Intra-state supply	Inter-state supply
4.	Registration	No registration till the turnover crosses 20 lakhs	No registration till the turnover crosses 20Lakhs	Registration is mandatory
5.	Composition	The dealer can use the benefit up to 75 lakhs under the composition scheme	The dealer can use the benefit up to 75 lakhs under the composition scheme	The composition scheme is not applicable in interstate supply

Best of Luck