

12TH COMMERCE

UNIT I MANAGEMENT PROCESS

CHAPTER 1 PRINCIPLES OF MANAGEMENT

I. Choose the Correct answers:

1. Management is what a _____ does?
a) Manager b) Subordinate c) Supervisor d) Superior
2. Management is an _____
a) Art b) Science c) Art and Science d) Art or Science
3. Scientific management is developed by
a) Fayol b) Taylor c) Mayo d) Jacob
4. Dividing the work into small tasks is known as
a) Discipline b) Unity c) Division of work d) Equity
5. With a wider span, there will be _____ hierarchical levels.
a) More b) Less c) Multiple d) Additional

II. Very short answer questions:

1. What is Management?
❖ Management is goal oriented and it is an art of getting things done with and through others.
2. List out the management tools.
❖ Tools of management have been developed such as, accounting, business law, psychology, statistics, econometrics, data processing, etc.
3. State the meaning of Authority.
❖ Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.
4. What do you mean by Span of management?
❖ The Span of Management refers to the number of subordinates who can be managed efficiently by a superior.

III. Short answer questions:

1. Define the term management.
 1. "To manage is to forecast, to plan, to organise, to command, to co-ordinate and to control." —Henry Fayol.
 2. "Management is a multipurpose organ that manages a business and manages manager, and manages worker and work."— Peter F. Drucker.
2. Differentiate management from Administration. (any 3)

BASIS FOR COMPARISON	MANAGEMENT	ADMINISTRATION
Authority	Middle and Lower Level	Top level
Role	Executive	Decisive
Concerned with	Policy Implementation	Policy Formulation
Key person	Manager	Administrator
Represents	Employees	Owners

3. What are the principles of Taylor?

Principles of scientific management propounded by Taylor are

1. Science, Not Rule of Thumb
2. Harmony, Not Discord
3. Mental Revolution
4. Cooperation, Not Individualism
5. Development of each and every person to his or her greatest efficiency and prosperity.

4. What determines the span of management?

1. Influences the complexities of the individual manager's job
2. Determine the shape or configuration of the Organization
3. The Span of Management refers to the number of subordinates who can be managed efficiently by a superior.

IV. Long answer questions:

1. Explain the concept of management. (any 5)

1. Body of Knowledge
2. Management Tools
3. Separate Discipline
4. Specialisation
5. Code of Conduct

1. Body of Knowledge:

- ◆ Management has now developed into a specialised body of management theory and philosophy.

2. Management Tools:

- ◆ Tools of management have been developed such as, accounting, business law, psychology, statistics, econometrics, data processing, etc.

3. Separate Discipline:

- ◆ Management studies in many universities and institutions of higher learning are recognised as a separate discipline.

4. Specialisation:

- ◆ There is a growing tendency to select and appoint highly qualified, trained and experienced persons to manage the business in each functional areas of management.

5. Code of Conduct:

- ◆ No longer 'buyer beware' is ruling the exchange relations in the market. At present 'seller beware' in place of 'buyer beware' influencing market practices.

2. Explain the principles of modern management. (any 5)

1. Division of work
2. Authority and Responsibility
3. Unity of command
4. Remuneration
5. Line of Authority/Scalar Chain

1. Division of Work:

- ◆ According to this principle the whole work is divided into small tasks.

2. Authority and Responsibility:

- ◆ Authority means the right of a superior to give the order to his subordinates whereas responsibility means obligation for performance.

3. Unity of Command:

- ◆ This principle states that each subordinate should receive orders and be accountable to one and only one superior.

4. Remuneration:

- ◆ Workers must be paid sufficiently as this is a chief motivation of employees and therefore greatly influences productivity.

5. Line of Authority/Scalar Chain:

- ◆ This refers to the chain of superiors ranging from top management to the lowest rank.

UNIT I MANAGEMENT PROCESS
CHAPTER 2 FUNCTIONS OF MANAGEMENT

I. Choose the Correct Answers:**1. Which is the primary function of management?**

- (a) Innovating (b) Controlling
(c) **Planning** (d) Decision-making

2. Which of the following is not a main function?

- (a) **Decision-making** (b) Planning (c) Organising (d) Staffing

3. _____ is included in every managerial function.

- (a) **Co-ordinating** (b) Controlling (c) Staffing (d) Organising

4. Which of the following is verification function?

- (a) Planning (b) Organising (c) Staffing **(d) Controlling**

5. The goals are achieved with the help of _____

- (a) **Motivation** (b) Controlling (c) Planning (d) Staffing

II. Very Short Answer Questions:**1. Write a short note about Planning.**

→ Planning refers to deciding in advance.

2. What is meant by Motivation?

→ Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.

3. List the subsidiary functions of management.

1. Innovation
2. Representation
3. Decision – Making
4. Communication

4. What is the Traditional proverb used in planning?

→ 'Think Before you Act' or 'Look Before you Leap'

III. Short Answer Questions:**1. List out the main functions of management?**

→ Planning, Organising, Staffing, Directing, Motivating, Controlling and Co-ordination

2. State the importance of staffing.

→ Staffing includes selection of right persons, training to those needy persons, promotion of best persons,

3. How the employees are informed about important matters in a company?

→ Circulars, instructions manuals, newsletters, notice-boards, meeting, participative mechanism etc,

IV. Long Answer Questions:**1. Explain the various functions of management. (any 5)**

- 1. Planning**
- 2. Motivating**
- 3. Co-ordination**
- 4. Controlling**
- 5. Staffing**

1. Planning:

→ Planning refers to deciding in advance.

2. Motivating:

- Motivation includes increasing the speed of performance of a work and developing a willingness on the part of workers.

3. Co-ordination:

- Co-ordination is the synchronization (or unification or integration) of the actions of all individuals, working in the enterprise in different capacities; so as to lead to the most successful attainment of the common objectives.

4. Controlling:

- Controlling is performed to evaluate the performance of employees and deciding increments and promotion decisions.

5. Staffing:

- Staffing refers to placement of right persons in the right jobs.

UNIT I MANAGEMENT PROCESS**CHAPTER 3 MANAGEMENT BY OBJECTIVES (MBO) and
MANAGEMENT BY EXCEPTION (MBE)****I. Choose the Correct Answers:**

- _____ System gives full Scope to the Individual Strength and Responsibility.**
(a) MBO (b) MBE (c) MBM (d) MBA
- Which is the First step in Process of MBO?**
(a) Fixing Key Result Area
(b) Appraisal of Activities
(c) Matching Resources with Activities
(d) Defining Organisational Objectives
- _____ keeps Management Alert to Opportunities and Threats by Identifying Critical Problems.**
(a) MBA (b) MBE (c) MBM (d) MBO
- Delegation of Authority is Easily Done with the Help of _____ .**
(a) MBM (b) MBE (c) MBO (d) MBA
- MBO is popularised in the USA by _____ .**
(a) Prof. Reddin (b) George Odiorne
(c) Henry Fayol (d) F.W Taylor

II. Very Short Answer Questions:

- What are the objectives of MBO?**
 - To measure and judge performance
 - To serve as a basis for judgements about salary and promotion
- Bring out the meaning of MBE.**
 - Management by exception is a style of business management that focuses on identifying and handling cases that deviate from the norm.
- Mention any two advantages of MBO?**
 - Delegation of authority is easily done with the help of MBO.
 - Systematic evaluation of performance is made with the help of MBO.
- What is known as KRA?**
 - Key result areas are fixed on the basis of organisational objectives premises.
 - The examples of KRA are profitability, market standing, innovation etc.

III. Short Answer Questions:**1. Write the features of MBO.**

- (i) An attempt is made by the management to integrate the goals of an organisation and individuals.
- (ii) Management tries to relate the organisation goals with society goals.
- (iii) A high degree of motivation and satisfaction is available to employees through MBO.

2. What are the Process of MBE?

- (a) Primarily, Performances are assessed and get equated to the actual performance.
- (b) Next deviation gets analysed.
- (c) No (Or) Less deviation – No action is required
- (d) More deviation – it should be resolved immediately
- (e) Finally, the aim is to solve this “exception” immediately.

3. List out any three process of MBO.

- 1. Appraisal of activities
- 2. Reappraisal of objectives
- 3. Matching resources with objectives
- 4. Setting subordinates objectives

IV. Long Answer Questions:**1. What are the major advantages of MBO? (any 5)**

- 1. Managers are involved in objectives setting at various levels of management under MBO and this commitment ensures hard work to achieve them.
- 2. Manager recognises the need for planning and appreciates the planning.
- 3. Delegation of authority is easily done with the help of MBO.
- 4. The responsibility of a worker is fixed through MBO.
- 5. MBO gives the criteria of performance. It helps to take corrective action.

2. What are the advantages of MBE? (any 5)

- i. It saves the time of managers
- ii. It focuses managerial attention on major problems.
- iii. It facilitates delegation of authority.
- iv. It is a technique of separating important information from unimportant one.
- vi. Management by exception provides better yardsticks for judging results.

3. Discuss the disadvantages of MBE.

- i. Managers have the power over really important decisions, which can be demotivating for employees at a lower level.
- ii. It takes time to pass the issues to managers.
- iii. Managing employees who deviate from the normal procedures.
- iv. Compliance failures are considered difficult to manage and typically find themselves with limited job duties and ultimately dismissed/terminated.

UNIT II MANAGEMENT PROCESS**CHAPTER 4 INTRODUCTION TO FINANCIAL MARKETS****I. Choose the Correct Answers:****1. Financial market facilitates business firms**

- a) To rise funds
- b) To recruit workers
- c) To make more sales
- d) To minimize fund requirement

2. Capital market is a market for

- a) Short Term Finance
- b) Medium Term Finance
- c) Long Term Finance
- d) Both Short Term and Medium Term Finance

2. Enumerate the different types of Financial Markets. (any 5)

a. On the Basis of Type of Financial Claim:

b. On the Basis of Maturity of Financial Claim:

c. On the Basis of Time of Issue of Financial Claim:

d. On the Basis of Timing of Delivery of Financial Claim:

e. On the Basis of the Organizational Structure of the Financial Market:

a. On the Basis of Type of Financial Claim:

(i) **Debt Market** is the financial market for trading in Debt Instrument.

(ii) **Equity Market** is the financial market for trading in Equity Shares of Companies.

b. On the Basis of Maturity of Financial Claim:

(i) **Money Market** is the market for short term financial claim (usually one year or less) E.g. Treasury Bills, Commercial Paper, Certificates of Deposit

(ii) **Capital Market** is the market for long term financial claim more than a year E.g. Shares, Debentures

c. On the Basis of Time of Issue of Financial Claim:

(i) **Primary Market** is a term used to include all the institutions that are involved in the sale of securities for the first time by the issuers (companies).

(ii) **Secondary Market** is the market for securities that are already issued.

d. On the Basis of Timing of Delivery of Financial Claim:

(i) **Cash/Spot Market** is a market where the delivery of the financial instrument and payment of cash occurs immediately. i.e. settlement is completed immediately.

(ii) **Forward or Futures Market** is a market where the delivery of asset and payment of cash takes place at a pre-determined time frame in future.

e. On the Basis of the Organizational Structure of the Financial Market:

(i) **Exchange Traded Market** is a centralized organization (stock exchange) with standardized procedures.

(ii) **Over-the-Counter Market** is a decentralized market (outside the stock exchange) with customized procedures.

3. Discuss the role of Financial Market.

(i) Savings Mobilization:

(ii) Investment:

(iii) National Growth

(iv) Entrepreneurship Growth

(v) Industrial Development

(i) Savings Mobilization:

✘ Obtaining funds from the savers or 'surplus' units such as household individuals, business firms, public sector units, Government is an important role played by financial markets.

(ii) Investment:

✘ Financial market plays a key role in arranging the investment of funds thus collected, in those units which are in need of the same.

(iii) National Growth:

✘ Financial markets contribute to a nation's growth by ensuring an unfettered flow of surplus funds to deficit units.

I Primary Market

- ⊙ Primary market is a market for new issues or new financial claims. Hence, it is also called New Issue Market.

II Secondary Market

- ⊙ Secondary Market may be defined as the market for old securities, in the sense that securities which are previously issued in the primary market are traded here.

2. Explain any two functions of Capital Market.**(i) Development of Backward Areas:**

- ♣ Capital Markets provide funds for projects in backward areas.
- ♣ This facilitates economic development of backward areas.
- ♣ Long term funds are also provided for development projects in backward and rural areas.

(ii) Foreign Capital:

- ♣ Capital markets makes possible to generate foreign capital.
- ♣ Government has liberalised Foreign Direct Investment (FDI) in the country.
- ♣ This not only brings in foreign capital but also foreign technology which is important for economic development of the country.

3. Explain about Factoring and Venture Capital Institutions.**(i) Factoring Institutions:**

- ◆ "Factoring" is an arrangement whereby a financial institution provides financial accommodation on the basis of assignment/sale of account receivables.
- ◆ The factoring institutions collect the book debts for and on behalf of its clients.

(ii) Venture Fund Institutions

- ◆ Venture capital financing is a form of equity financing designed especially for funding new and innovative project ideas.
- ◆ Venture capital funds bring into force the hi-technology projects which are converted into commercial production.
- ◆ Many specialized financial institutions have promoted their own venture capital funds.

IV. Long Answer Questions:**1. Discuss the characters of a Capital Market.**

- (i) Securities Market**
- (ii) Price**
- (iii) Participants**
- (iv) Location**
- (v) Market for Financial Assets**

(i) Securities Market:

- ⊙ The dealings in a capital market are done through the securities like shares, debentures, etc. The capital market is thus called securities market.

(ii) Price:

- ⊙ The price of the securities is determined based on the demand and supply prevailing in the capital market for securities.

(iii) Participants:

- ⊙ There are many players in the capital market. The participants of the capital market include individuals, corporate sectors, Govt., banks and other financial institutions.

(iv) Location:

- ⊙ Capital market is not confined to certain specific locations, the market are concentrated in certain well-known centers known as Stock Exchanges.

(v) Market for Financial Assets:

- ⊙ Capital market provides a transaction platform for long term financial assets.

2. Briefly explain the functions of Capital Market. (any 5)

(i)	Venture Fund Institutions
(ii)	Mutual Funds
(iii)	Factoring Institutions
(iv)	National Securities Depositories Limited (NSDL)
(v)	Over the Counter Exchange of India (OTCEI)

(i) Venture Fund Institutions :

- ⊙ In capital market, various types of securities help to mobilize savings from various sectors of population (Individuals, Corporate, Govt., etc.).
- ⊙ This accelerates the capital formation in the country.
- ⊙ Capital Markets provide funds for projects in backward areas.

(ii) Mutual Funds:

- ⊙ Financial institutions that provide facilities for channeling savings of small investors into avenues of productive investments are called 'Mutual Funds'.

(iii) Factoring Institutions:

- ⊙ "Factoring" is an arrangement whereby a financial institution provides financial accommodation on the basis of assignment/sale of account receivables.

(iv) National Securities Depositories Limited (NSDL):

- ⊙ The NSDL was set up in the year 1996 for achieving a time bound dematerialization as well as rematerialization of shares.

(v) Over the Counter Exchange of India (OTCEI):

- ⊙ The OTCEI was set up by a premier financial institution to allow the trading of securities across the electronic counters throughout the country.

3. Explain the various types of New Financial Institutions. (any 5)

(i)	Savings and Capital Formation
(ii)	Industrial Growth
(iii)	Development of Backward Areas
(iv)	Foreign Capital
(v)	Easy Liquidity

(i) Savings and Capital Formation:

- ⊙ In capital market, various types of securities help to mobilize savings from various sectors of population (Individuals, Corporate, Govt., etc.).
- ⊙ This accelerates the capital formation in the country.

(ii) Industrial Growth:

- ⊙ It stimulates industrial growth and economic development of the country by mobilizing funds for investment in the corporate securities.

(iii) Development of Backward Areas:

- ⊙ Capital Markets provide funds for projects in backward areas.

(iv) Foreign Capital :

- ⊙ Capital markets makes possible to generate foreign capital.

(v) Easy Liquidity:

- ⊙ With the help of secondary market investors can sell off their holdings and convert them into liquid cash.

**UNIT II FINANCIAL MARKETS -I
CHAPTER 6 MONEY MARKET**

I. Choose the Correct Answers:

1. The money invested in the call money market provides high liquidity with _____.

- a) Low Profitability
- c) Limited Profitability

- b) High Profitability
- d) Medium Profitability

2. A major player in the money market is the _____.

- a) Commercial Bank
- c) State Bank of India

- b) Reserve Bank of India
- d) Central Bank.

3. Debt Instruments are issued by Corporate Houses are raising short-term financial resources from the money market are called _____.

- a) Treasury Bills
- c) Certificate of Deposit

- b) Commercial Paper
- d) Government Securities

4. The market for buying and selling of Commercial Bills of Exchange is known as a _____.

- a) Commercial Paper Market
- c) Commercial Bill Market

- b) Treasury Bill Market
- d) Capital Market

5. A marketable document of title to a time deposit for a specified period may be referred to as a _____.

- a) Treasury Bill
- c) Commercial Bill

- b) Certificate of Deposit
- d) Government. Securities

II. Very Short Answer Questions:

1. What is a CD market?

- ♣ Certificate of Deposits are short-term deposit instruments issued by banks and financial institutions to raise large sums of money.

2. What is Government Securities Market?

- ♣ A market whereby the Government or gilt-edged securities can be bought and sold is called 'Government Securities Market'.

3. What do you meant by Auctioning?

- ♣ A method of trading whereby merchants bid against one another and where the securities are sold to the highest bidder is known as 'auctioning'.

4. What do you meant by Switching?

- ♣ The purchase of one security against the sale of another security carried out by the RBI in the secondary market as part of its open market operations is described as 'Switching'.

III. Short Answer Questions:

1. What are the features of Treasury Bills? (any 3)

1. Issuer
2. Finance Bills
3. Liquidity
4. Vital Source
5. Monetary Management

2. Who are the participants of Money Market? (any 3)

1. RBI and SBI
2. Public
3. Commercial Banks
4. Insurance Companies

3. Explain the types of Treasury Bills? (any 3)

- 1) 91 days Treasury Bills
- 2) 182 days Treasury Bills and
- 3) 364 days Treasury Bills

♣ **Ninety one days Treasury Bills** are issued at a **fixed discount rate of 4 per cent** as well as through auctions.

♣ The RBI holds **91 days and 182 Treasury Bills** and they are issued on **tap basis throughout the week.**

♣ **364 days Treasury Bills do not carry any fixed rate.**

♣ The discount rate on these bills are quoted in auction by the participants and accepted by the authorities.

♣ Such a rate is called **cut off rate.**

4. What are the types of Commercial Bill? (any 3)**a. Demand Bills**

♣ A demand bill is one wherein no specific time of payment is mentioned.

b. Clean bills and documentary Bills

♣ Clean bills are drawn without accompanying any document.

E.g. Railway Receipt and Lorry Receipt

c. Inland bills and Foreign Bills

♣ Bills that are drawn and payable in India on a person who is resident in India are called inland bills.

IV. Long Answer Questions:**1. Differentiate between the Money Market and Capital Market. (any 5)**

Sl. No	Features	Money Market	Capital Market
1	Duration of Funds	It is a market for short-term funds. A period of not exceeding one year.	It is a market for long-term funds. A period of exceeding one year.
2	Deals with Instruments	It deals with instruments like commercial bills (bill of exchange, treasury bill, commercial papers etc.).	It deals with instruments like shares, debentures, Government bonds, etc.,
3	Place of Transaction	Transactions mostly take place over the phone and there is no formal place.	Transactions take place at a formal place. Eg. stock exchange.
4	Risk	Low credit and market risk.	High credit and market risk.
5	Liquidity	High liquidity in Money Market	Low liquidity in Capital Market.

2. Explain the characteristics of Money Market? (any 5)

1. Short-term Funds
2. Maturity Period
3. Conversion of Cash
4. No Formal Place
5. Sub-markets

1. Short-term Funds:

- ♣ It is a market purely for short-term funds or financial assets called near money.

2. Maturity Period:

- ♣ It deals with financial assets having a maturity period upto one year only.

3. Conversion of Cash:

- ♣ It deals with only those assets which can be converted into cash readily without loss and with minimum transaction cost.

4. No Formal Place:

- ♣ Generally, transactions take place through phone, i.e., oral communication.

5. Sub-markets:

- ♣ It is not a single homogeneous market.
- ♣ It comprises of several sub-markets each specialising in a particular type of financing.
E.g., Call Money Market, Acceptance Market, Bill Market.

3. What are the characteristics of Government Securities? (any 5)

1. Agencies
2. RBI Special Role
3. Participants
4. Switching
5. Auctioning

1. Agencies:

- ♣ Government securities are issued by agencies such as Central Government, State Governments, semi-government authorities like local Government authorities, e.g. municipalities, autonomous institution such as metropolitan authorities, port trusts etc.,

2. RBI Special Role:

- ♣ RBI takes a special and an active role in the purchase and sale of these securities as part of its monetary management exercise.

3. Participants:

- ♣ The Government sector comprising Central and State Governments whose holdings represent governmental transfer of resources.

4. Switching:

- ♣ The purchase of one security against the sale of another security carried out by the RBI in the secondary market as part of its open market operations is described as 'Switching'.

5. Auctioning:

- ♣ A method of trading whereby merchants bid against one another and where the securities are sold to the highest bidder is known as 'auctioning'.

UNIT III FINANCIAL MARKETS -II
CHAPTER 7 STOCK EXCHANGE

I. Choose the Correct Answers:

1. _____ is the oldest stock exchange in the world.

a) London Stock Exchange	b) Bombay Stock Exchange
c) National Stock Exchange	d) Amsterdam Stock Exchange
2. There are _____ stock exchange in the country.

a) 21	b) 24	c) 20	d) 25
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3. Jobbers transact in a stock exchange

a) For their Clients	b) For their Own Transactions
c) For other Brokers	d) For other Members
4. A pessimistic speculator is

a) Stag	b) Bear	c) Bull	d) Lame Duck
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5. An optimistic speculator is

a) Bull	b) Bear	c) Stag	d) Lame duck
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II. Very Short Answer Questions:

1. **What is meant Stock Exchange?**
 - ♥ Stock exchange is an organized market for buying and selling corporate and other securities.
2. **Write any 5 Stock Exchanges in India.**
 - i. The Bombay Stock Exchange
 - ii. The Calcutta Stock Exchange Association Ltd.
 - iii. The Delhi Stock Exchange Association Ltd.
 - iv. The Madras Stock Exchange Ltd.
 - v. The Coimbatore Stock Exchange Ltd.
3. **What is meant by Remisier?**
 - ♥ He acts as an agent of a member of a stock exchange. He obtains business for his principal i.e., the member and gets a commission for that service.
4. **Who is called a Broker?**
 - ♥ Brokers are commission agents, who act as intermediaries between buyers and sellers of securities.
5. **What are the types of Speculator?**
 - ♥ Bull, Bear, Stag, Lame Duck

III. Short Answer Questions:

1. **What are the limitations of Stock exchange? (any 3)**
 - i. Lack of uniformity and control of stock exchanges.
 - ii. Absence of restriction on the membership of stock exchanges.
 - iii. Failure to control unhealthy speculation.
2. **Explain Bull and Bear.**

Bull:

 - ♥ A Bull or Tejiwala is an operator who expects a rise in prices of securities in the future.
 - ♥ He is an optimistic speculator.

Bear:

 - ♥ A bear or Mandiwala speculator expects prices to fall in future and sells securities at present.
 - ♥ A bear is a pessimistic speculator.

3. Explain Stag and Lame Duck.

Stag:

- ♥ A stag is a cautious speculator in the stock exchange. He applies for shares in new companies and expects to sell them at a premium, if he gets an allotment.
- ♥ He sells the shares before being called to pay the allotment money.
- ♥ He is also called a premium hunter.

Lame Duck:

- ♥ When a bear finds it difficult to fulfill his commitment, he is said to be struggling like a lame duck.
- ♥ A bear speculator contracts to sell securities at a later date. On the appointed time he is not able to get the securities as the holders are not willing to part with them. In such situations, he feels concerned.

IV. Long Answer Questions:

1. Explain the functions of Stock Exchange. (Any 5)

1. Ready and Continuous Market
2. Correct Evaluation of Securities
3. Protection to Investors
4. Proper Chanalisation of Capital
5. Aid to Capital Formation

1. Ready and Continuous Market:

- ♥ This Market where you can buy and sell conversion of securities into cash easily and quickly.

2. Correct Evaluation of Securities:

- ♥ The prices at which securities are bought and sold are recorded and made public.
- ♥ These prices are called "market quotations".

3. Protection to Investors:

- ♥ All dealings in a stock exchange are in accordance with well-defined rules and regulations.
- ♥ For example, brokers cannot charge higher rate of commission for their services.

4. Proper Chanalisation of Capital:

- ♥ People like to invest in the shares of such companies which yield good profits.

5. Aid to Capital Formation:

- ♥ Stock exchanges thus ensure a steady flow of capital into industry and assists industrial development.

2. Explain the features of Stock Exchange. (Any 5)

1. Market for Securities
2. Deals in Second Hand Securities
3. Allows Dealings only in Listed Securities
4. Recognition from Central Government
5. Working as per Rules

1. Market for Securities:

- ♥ Stock exchange is a market, where securities of corporate bodies, government and semi-government bodies are bought and sold.

2. Deals in Second Hand Securities:

- ♥ It deals with shares, debentures bonds and such securities already issued by the companies.

3. Allows Dealings only in Listed Securities:

- ♥ In fact, stock exchanges maintain an official list of securities that could be purchased and sold on its floor.

4. Recognition from Central Government:

- ♥ Stock exchange is an organised market. It requires recognition from the Central Government.

5. Working as per Rules:

- ♥ Buying and selling transactions in securities at the stock exchange are governed by the rules and regulations of stock exchange as well as SEBI Guidelines.

3. Distinguish between Stock Exchange and Commodity Exchange (any 5).

Sl. No	Feature	Stock Exchange	Commodity Exchange
1.	Meaning	Stock Exchange (also called Stock Market or Share Market) is one important constituent of capital market. Exchange of financial securities.	A commodity exchange is an exchange where commodities are traded. Exchange of goods and services.
2.	Participants	Investors and Speculators	Producers, dealers, traders and abody of speculators.
3.	Price Quotation	Only one quotation is possible	For future dealings, multiple quotations are possible
4.	Period of dealings	Cash, ready delivery and dealings for account for a fortnight (15days)	Instant cash dealings and a settlement period of 2 or 3 months for Future Market dealings
5.	Articles Traded	Industrial securities such as stocks and bonds and government securities.	Only durable, graded and goods having large volume of trade

UNIT III FINANCIAL MARKETS -II**CHAPTER 8 SECURITIES EXCHANGE BOARD OF INDIA (SEBI)****I. Choose the Correct Answers:**

1. Securities Exchange Board of India was first established in the year

- _____
- a) 1988 b) 1992 c) 1995 d) 1998

2. The headquarters of SEBI is _____

- a) Calcutta **b) Bombay** c) Chennai d) Delhi

3. Registering and controlling the functioning of collective investment schemes as _____

- a) Mutual Funds** b) Listing
c) Rematerialisation d) Dematerialization

4. SEBI is empowered by the Finance ministry to nominate _____ members on the Governing body of every stock exchange.

- a) 5 b) 3 c) 6 **d) 7**

5. Trading in dematerialized shares commenced on the NSE is _____

- a) January 1996
 b) June 1998
 c) **December 1996**
 d) December 1998

II. Very Short Answer Questions:

1. Write a short notes on SEBI.

- ♣ Securities and exchange board of India (SEBI) is an apex body that maintains and regulates our capital market.
- ♣ It was established in 1988 by Indian government but got the statutory powers in 1992.

2. Write any two objectives of SEBI.

- ♣ Regulation of Stock Exchange
- ♣ Protection to the Investors

3. Mention the headquarters of SEBI.

- ♣ SEBI has its headquarters at the business district of BandraKurla Complex in Mumbai.

4. What are the various ID proofs?

- ♣ PAN card, voter's ID, passport, driver's license, IT returns, electricity bill, telephone bill

III. Short Answer Questions:

1. What is meant by Dematerialization?

- ♣ Dematerialization is the process by which physical share certificates of an investor are taken back by the company/registrars and destroyed.

2. What are the documents required for a Demat account?

- ♣ You need to submit proof of identity and address along with a passport size photograph and the account opening form.

3. Draw the organization structure of SEBI.



IV. Long Answer Questions:

1. What are the functions of SEBI? (any 5)

- ♣ Safeguarding the interests of investors by means of adequate education and guidance.
- ♣ Regulating and controlling the business on stock markets.
- ♣ Barring insider trading in securities.
- ♣ Prohibiting deceptive and unfair methods used by financial intermediaries operating in securities markets.
- ♣ Performing functions that may be assigned to it by the Central Government of India.

2. Explain the powers of SEBI. (any 5)

1. Powers Relating to Stock Exchanges & Intermediaries
2. Power to Impose Monetary Penalties
3. Power to Regulate Insider Trading
4. Powers Under Securities Contracts Act
5. Power to Regulate Business of Stock Exchanges

1. Powers Relating to Stock Exchanges & Intermediaries:

♣ It can ask information from the stock exchanges and intermediaries regarding their business transactions for inspection or scrutiny and other purpose.

2. Power to Impose Monetary Penalties:

♣ SEBI has been empowered to impose monetary penalties on capital market intermediaries and other participants for a range of violations.

3. Power to Regulate Insider Trading:

♣ SEBI has power to regulate insider trading or can regulate the functions of merchant bankers.

4. Powers Under Securities Contracts Act:

♣ For effective regulation of stock exchange, the Ministry of Finance issued a Notification on 13 September, 1994

♣ SEBI is also empowered by the Finance Ministry to nominate three members on the Governing Body of every stock exchange.

5. Power to Regulate Business of Stock Exchanges:

♣ SEBI is also empowered to regulate the business of stock exchanges, of acquisition of shares and takeovers of companies.

UNIT IV HUMAN RESOURCE MANAGEMENT

CHAPTER 9 FUNDAMENTALS OF HUMAN RESOURCE MANAGEMENT

I. Choose the Correct Answers:

1. Human resource is a _____ asset.

- a) Tangible b) Intangible c) Fixed d) Current

2. Human Resource management is both _____ and _____ .

- a) Science and art b) Theory and practice
c) History and Geography d) None of the above

3. Planning is a _____ function.

- a) Selective b) Pervasive
c) Both a and b d) None of the above

4. Human resource management determines the _____ relationship.

- a) Internal, External b) Employer, Employee
c) Owner, Servant d) Principle, Agent

5. Labour turnover is the rate at which employees _____ the organisation

- a) Enter b) leave c) Salary
d) None of the above

II. Very Short Answer Questions:

1. What is Human Resource Management?

✳ Human Resource Management is a function of management concerned with hiring, motivating and maintaining people in an organisation.

✳ It focuses on people in an organisation.

2. State two features of HRM.

- * Human resource management is both science as well as art.
- * It is intangible

3. Mention two characteristics of Human Resource.

- * Human resource is the only factor of production that lives
- * Human resource created all other resources

4. What are the managerial functions of HRM.

- * Planning, Organising, Directing, Controlling

III. Short Answer Questions:**1. Define the term Human Resource Management.**

- * In the words of **E.F.L.Brech** HRM as that part of management process which is primarily concerned with the human constituents of an organisation.

2. What are the characteristics of Human resources? (any 3)

- * Human resources are emotional beings
- * Human resources are Movable
- * Human resource can work as a team

3. What is the significance of Human resource? (any 3)

- * It is only through human resource all other resources are effectively used
- * Industrial relations depend on human resource
- * Human relations is possible only through human resource

IV. Long Answer Questions:**1. Explain the characteristics of Human Resource (any 5).**

- * Human resource is the only factor of production that lives
- * Human resource created all other resources
- * Human resources are emotional beings
- * Human resources are Movable
- * Human resource can work as a team

2. Describe the significance of Human Resource Management (any 5).

- i. To identify manpower needs**
- ii. To select right man for right job**
- iii. To update the skill and knowledge**
- iv. To appraise the performance of employees**
- v. To determine employee commitment**

i. To identify manpower needs:

- * The number of men required are to be identified accurately to optimise the cost.

ii. To select right man for right job:

- * Human resource management ensures the right talent available for the right job.

iii. To update the skill and knowledge:

- * Managing human resource plays a significant role in the process of employee skill and knowledge enhancement to enable.

iv. To appraise the performance of employees:

- * Human resource management activities boosts up good performers and motivates slow performers.

v. To determine employee commitment:

- * Human resource management determines the level of commitment of employees to their work either through interview or questionnaire.

3. Discuss the Operative functions HRM.

- i. Procurement
- ii. Development
- iii. Compensation
- iv. Integration
- v. Retention

i. Procurement:

✳ Acquisition deals with job analysis, human resource planning, recruitment, selection, placement, transfer and promotion

ii. Development:

✳ Development includes performance appraisal, training, executive development, career planning and development, organisational development

iii. Compensation:

✳ It deals with job evaluation, wage and salary administration, incentives, bonus, fringe benefits and social security schemes

iv. Integration:

✳ It is concerned with the those activities that aim to bring about reconciliation between personal interest and organisational interest

v. Retention:

✳ This is made possible through health and safety, welfare, social security, job satisfaction and quality of work life

UNIT IV HUMAN RESOURCE MANAGEMENT

CHAPTER 10 RECRUITMENT METHODS

I. Choose the Correct Answers:

1. Recruitment is the process of identifying ____.

- | | |
|----------------------------|---------------------|
| a) Right man for right job | b) Good Performer |
| c) Right job | d) All of the above |

2. Recruitment bridges gap between _____ and _____ .

- | | |
|--------------------------------|-------------------------|
| a) Job seeker and job provider | b) Job seeker and agent |
| c) Job provider and owner | d) Owner and servant |

3. Advertisement is a _____ source of recruitment

- | | | | |
|-------------|-------------|----------|----------------|
| a) Internal | b) External | c) Agent | d) Outsourcing |
|-------------|-------------|----------|----------------|

4. Transfer is an _____ source of recruitment.

- | | | | |
|-------------|-------------|----------------|----------------------|
| a) Internal | b) External | c) Outsourcing | d) None of the above |
|-------------|-------------|----------------|----------------------|

5. E-recruitment is possible only through _____ facility.

- | | | | |
|-------------|-------------|--------------|-------|
| a) Computer | b) Internet | c) Broadband | d) 4G |
|-------------|-------------|--------------|-------|

II. Very Short Answer Questions:

1. Give the meaning of Recruitment.

❖ Recruitment is the process of finding suitable candidates for the various posts in an organisation.

2. What is promotion?

❖ Based on seniority and merits of the employees they are given opportunity to move up in the organisational hierarchy

3. Write any two internal source of recruitment.

- ❖ Promotion
- ❖ Demotion

4. What is meant by Poaching?

- ❖ This is also called poaching where the efficient employees of rival companies are drawn to the organisations by higher pay and benefits.
- ❖ For example: Salesmen, Chartered Accountants, Management professionals etc.

III. Short Answer Questions:

1. What is meant by unsolicited applicants?

- ❖ These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.

2. What is meant by job portals?

- ❖ Using internet job portals organisations can screen for the prospective candidates and fill up their vacancies.

3. State the steps in Recruitment process outsourcing.

R.P.O

- 01. Requirement Understanding
- 02. Advertise & Source
- 03. Screening
- 04. Validation
- 05. Profit submission
- 06. Interview Process & Feedback
- 07. Selection & Follow-up

IV. Long Answer Questions:

1. Explain the Internal sources of Recruitment (any 5).

01. Transfer
02. Upgrading
03. Promotion
04. Demotion
05. Recommendation by existing employees

i. Transfer:

- ❖ Transfer of employee from one department with surplus staff to that of another with deficit staff.

ii. Upgrading:

- ❖ Performance appraisal helps in the process of moving employees from a lower position to a higher position

iii. Promotion:

- ❖ Based on seniority and merits of the employees they are given opportunity to move up in the organisational hierarchy

iv. Demotion:

- ❖ Movement of employee from a higher position to a lower position because of poor performance

v. Recommendation by existing employees:

- ❖ A family member, relative or friend of an existing employee can be recruited and placed

2. Explain the External sources of Recruitment (any 5).

- i. Advertisements
- ii. Unsolicited applicants
- iii. Campus Recruitment
- iv. Rival firms
- v. e- Recruitment

i. Advertisements:

❖ The employer can advertise in dailies, journals, magazines etc.

ii. Unsolicited applicants:

❖ These are the applications of job seekers who voluntarily apply for the vacancies not yet notified by the organisations.

iii. Campus Recruitment:

❖ The organisations visit the educational institutions to identify and recruit suitable candidates.

iv. Rival firms:

❖ This is also called poaching where the efficient employees of rival companies are drawn to the organisations by higher pay and benefits.

vi. e-Recruitment:

❖ The organisations which carry out recruitment online methods is said to follow e recruitment.

3. What is the Recent trends in Recruitment?

1. Poaching:

❖ Organisations instead of training and developing their own employees hire employees of other competitive companies by paying them more both financial and non financial benefits.

❖ It is also called raiding.

2. Outsourcing:

❖ There are outsourcing firms that help in the process of recruiting through screening of applications and finding the right person for the job for which they are paid service charges.

3. Recruitment Process Outsourcing:

R.P.O

- 01. Requirement Understanding
- 02. Advertise & Source
- 03. Screening
- 04. Validation
- 05. Profit submission
- 06. Interview Process & Feedback
- 07. Selection & Follow-up

4. What do you mean by achievement test?

- This test measures a candidate's capacity to achieve in a particular field.
- Example: a) A driver may be asked to drive a vehicle to test his driving efficiency

IV. Long answer questions:

1. Briefly explain the various types of tests. (any 5)

1. Aptitude Test
2. Achievement Test
3. Intelligence Test
4. Judgment Test
5. Project Test

1. Aptitude Test:

- Aptitude test is a test to measure suitability of the candidates for the post/role.

2. Achievement Test:

- This test measures a candidate's capacity to achieve in a particular field.
- Ex: A driver may be asked to drive a vehicle to test his driving efficiency.

3. Intelligence Test:

- Intelligence tests are one of the psychological tests, that is designed to measure a variety of mental ability, individual capacity of a candidate.
- The main aim of these tests is to obtain an idea of the person's intellectual potential.

4. Judgment Test:

- This test is conducted to test the presence of mind and reasoning capacity of the candidates

5. Projective Test / Thematic Appreciation Test:

- This test measures the candidate's values, attitude apprehensive personality etc.

2. Explain the important methods of interview (any 5).

1. Stress Interview
2. Structure/Guided/Planned Interview
3. Unstructured Interview
4. Panel Interview
5. Online Interview

1) Stress Interview:

- This type of interview is conducted to test the temperament and emotional balance of the candidate interviewed.

2) Structure/Guided/Planned Interview:

- Under this method, a series of question to be asked by the interviewer are pre-prepared by the interviewer and only these questions are asked in the interview.
- Ultimately interviewees are ranked on the basis of score earned by the candidate in the interview.

3) Unstructured Interview:

- This is quite contrary to structured interview. An atmosphere for free and frank interaction is created in the interview environment.

4) Panel Interview:

→ Where a group of people interview the candidate, it is called panel interview.

5) Online Interview:

→ Due to tremendous growth in information and communication technology, these days interviews are conducted by means of internet via **Skype, Wechat, Google duo, Viber, Whatsapp** or **Video chat** applications.

3. Differentiate Recruitment and Selection. (any 5)

S. No.	Basis of Comparison	Recruitment	Selection
1	Meaning	Recruitment is an activity of searching candidates and encouraging them to apply for it.	Selection refers to the process of selecting the suitable candidates and offering them job.
2	Approach	Approach under recruitment is positive one.	Approach under selection is negative one.
3	Objective	Inviting large number of candidates to apply for the vacant post	Picking up the most suitable candidates and eliminating the rest
4	Sequence	First	Second
5	Method	It is an economical method	It is an expensive method
6	Process	Recruitment process is very simple	Selection process is very complex and complicated

**UNIT IV HUMAN RESOURCE MANAGEMENT
CHAPTER 12 EMPLOYEE TRAINING METHOD**

I. Choose the Correct Answers:**1. Off the Job training is given**

- a) In the class room
b) On off days
c) **Outside the factory**
d) In the playground

2. Improves Skill Levels of employees to ensure better job performance

- a) **Training**
b) Selection
c) Recruitment
d) Performance appraisal

3. When trainees are trained by supervisor or by superior at the job is called

- a) Vestibule training
b) Refresher training
c) Role play
d) **Apprenticeship training**

4. _____ is useful to prevent skill obsolescence of employees

- a) **Training**
b) Job analysis
c) Selection
d) Recruitment

5. Training methods can be classified into _____ and _____ training.

- a) Job rotation and Job enrichment
b) **On the Job and Off the Job**
c) Job analysis and Job design
d) Physical and mental

II. Very Short Answer Questions:**1. What is meant by training?**

→ Training is the act of increasing / enhancing the new skill of problem solving activity and technical knowledge of an employee for doing the jobs them self.

2. What is Mentoring training method?

→ Mentoring is the process of sharing knowledge and experience of an employee.
→ Besides the mentor is responsible for the providing necessary support to trainees, and feedback on the performance of trainee.

3. What is Role play?

- Under this method trainees are explained the situation and assigned roles.
- They have to act out the roles assigned to them without any rehearsal.
- There are no pre-prepared dialogues.

4. State e-learning method?

- E learning is the use of technological process to access of a traditional classroom or office. E learning is also often referred to us online learning or web based training.

III. Short Answer Questions:

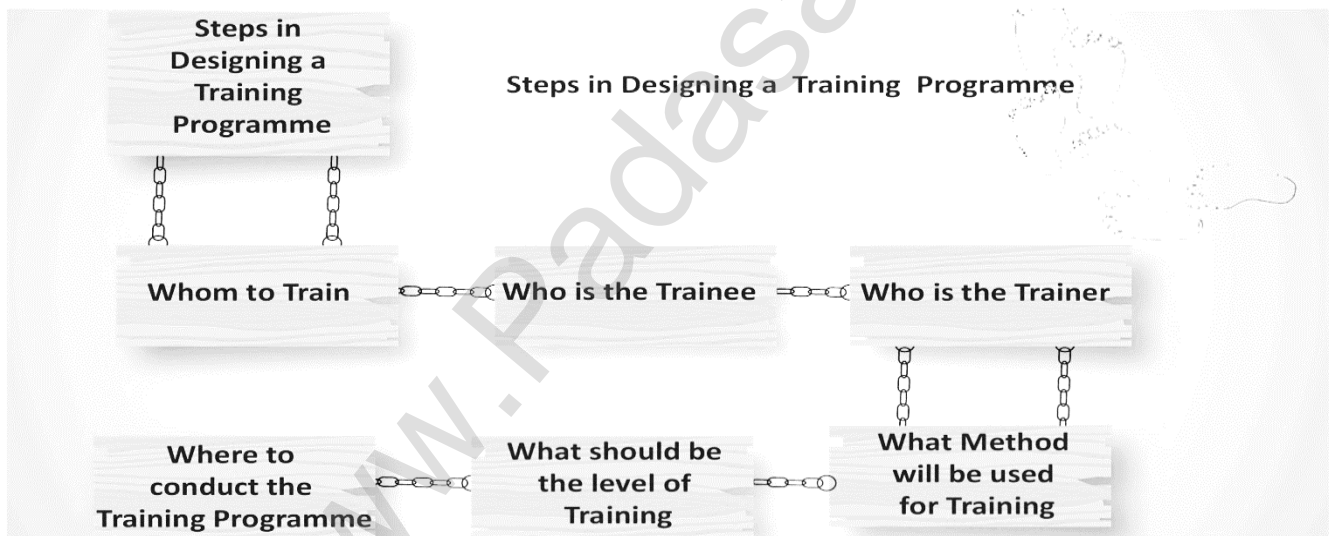
1. What is vestibule training?

- Vestibule training is training of employees in an environment similar to actual work environment artificially created for training purpose.
- This type of training is given to avoid any damage or loss to machinery in the actual place by trainees and avoid disturbing the normal workflow in the actual workplace.
- It is given to Drivers, Pilots, Space Scientists etc.,

2. What do you mean by on the job Training?

- On the job training refers to the training which is given to the employee at the work place by his immediate supervisor.
- It is based on the principle of "Learning by Doing and Learning While Earning".

3. Write down various steps in a training programme.



4. Write short note on trainer and trainee.

1. Who are Trainers?

- Trainer is person who teaches skills to employee and prepare them for a job activity.
- The trainers is otherwise called Instructor, Coach, Teacher, Mentor, Adviser, Counsellor, Guide, Guru, Manager, Handler, Tutor and Educator etc.,

2. Who is the Trainee?

- A person who is learning and practising the skills of particular job is called trainee.
- Trainee should be selected on the basis of self-interest and recommendation by the supervisor or by the human resource department itself.

IV. Long Answer Questions:

1. Discuss various types of training. (any 5)

1. Mentoring Method
2. Role Play Method
3. E-learning Method
4. Vestibule Method
5. Coaching Method

i) Mentoring Method:

- Mentoring is the process of sharing knowledge and experience of an employee.
- Besides the mentor is responsible for the providing necessary support to trainees, and feedback on the performance of trainee.

ii) Role Play Method:

- Under this method trainees are explained the situation and assigned roles.
- They have to act out the roles assigned to them without any rehearsal.
- There are no pre-prepared dialogues.

iii) E-learning Method:

- E learning is the use of technological process to access of a traditional classroom or office.
- E learning is also often referred to us online learning or web based training.

iv) Vestibule Training Method:

- Vestibule training is training of employees in an environment similar to actual work environment artificially created for training purpose.

v) Coaching Method:

- In the coaching method of training, the superior teaches or guides the new employee about the knowledge and skills relevant to a given job.

2. What are the difference between on the job training and off the job training? (any 5)

Basis for comparison	On the Job Training	Off the Job Training
Meaning	The employee learns the job in the actual work environment.	Off the Job training involves the training of employees out side the actual work location
Cost	It is cheapest to carry out	It requires expenses like separate training rooms, specialist, resources like projectors. (It is Expensive).
Location	At the work place	Away from the work place
Suitable for	Generally imparted in case of Manufacturing for production related Jobs	Mostly imparted for managerial and non production related jobs.
Approach	Practical approach	Theoretical approach

3. Explain the benefits of training. (2 points from each headings)

1. Benefits of the Organization
2. Benefits of the Employees
3. Benefits of Customer

(i) Benefits to the Organization

- It improves the skill of employees and enhances productivity and profitability of the entity.
- It reduces wastages of materials and idle time

(ii) Benefits to the Employees

- It adds to the knowledge skill and competency of employee
- Employees get higher earnings through incentives and rewards.

(iii) Benefits of Customer

- Customers get better quality of product/ service.
- Customers get innovative products or value added or feature rich products.

UNIT V ELEMENTS OF MARKETING**CHAPTER 13 CONCEPT OF MARKET AND MARKETER****I. Choose the Correct Answers:**

1. One who promotes (or) Exchange of goods or services for money is called as _____.

- a) Seller **b) Marketer** c) Customer d) Manager

2. The marketer initially wants to know in the marketing is _____.

- a) Qualification of the customer b) Quality of the product
c) Background of the customers **d) Needs of the customers**

3. The Spot market is classified on the basis of _____.

- a) Commodity **b) Transaction** c) Regulation d) Time

4. Which one of the market deals in the purchase and sale of shares and debentures?

- a) Stock Exchange Market** b) Manufactured Goods Market
c) Local Market d) Family Market

5. Stock Exchange Market is also called _____.

- a) Spot Market b) Local Market
c) Security Market d) National Market

II. Very Short Answer Questions:

1. What is Market?

- ♣ The meeting place of buyers and sellers in an area is called Market.

2. Define Marketer.

- ♣ "A person whose duties include the identification of the goods and services desired by a set of consumers, as well as the marketing of those goods and services on behalf of a company". - **Business Dictionary**

3. What is mean by Regulated Market?

- ♣ These are types of markets which are organised, controlled and regulated by statutory measures.

- ♣ **Example:** Stock Exchanges of Mumbai, Chennai, Kolkata etc.

4. What is meant by Spot Market?

- ♣ In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

5. What is meant by Commodity Market?

- ♣ A commodity market is a place where produced goods or consumption goods are bought and sold.

II. Short Answer Questions:**1. What can be marketed in the Market? (any 3)**

♣ Goods, Services, Persons, Places

2. Mention any three Role of Marketer?**i. Instigator**

♣ As an instigator, marketer keenly watches the developments taking place in the market and identifies marketing opportunities emerging in the ever changing market.

ii. Innovator

♣ Marketer seeks to distinguish his products/services by adding additional features or functionalities to the existing product, modifying the pricing structure, introducing new delivery pattern, creating new business models, introducing change in production process and so on.

iii. Integrator

♣ Marketer plays a role of integrator in the sense that he collects feedback or vital inputs from channel members and consumers and provides products/service solutions to customers/consumers by co-ordinating multiple functions of organisation.

3. Explain the types of market on the basis of time.**i. Very Short Period Market:**

♣ Markets which deal in perishable goods like, fruits, milk, vegetables etc., are called as very short period market.

ii. Short Period Market:

♣ The demand is greater than supply. Such markets are known as Short Period Market.

iii. Long Period Market:

♣ This type of market deals in durable goods, where the goods and services are dealt for longer period usages.

III. Long Answer Questions:**1. How the market can be classified? (any 5)**

- I. On the Basis of Economics**
II. On the Basis of Time
III. On the Basis of Regulation
IV. On the Basis of Transaction
V. On the Basis of Volume of Business

I. On the Basis of Economics:**➤ Perfect Market:**

A market is said to be a perfect market, if it satisfies the following conditions:

- i. Large number of buyers and sellers are there.
- ii. Prices should be uniform throughout the market.
- iii. Buyers and sellers have a perfect knowledge of market.
- iv. Goods can be moved from one place to another without restrictions.

II. On the Basis of Time:**➤ Very Short Period Market:**

♣ Markets which deal in perishable goods like, fruits, milk, vegetables etc., are called as very short period market.

III. On the Basis of Regulation:➤ **Regulated Market:**

- ♣ These are types of markets which are organised, controlled and regulated by statutory measures.
- ♣ **Example:** Stock Exchanges of Mumbai, Chennai, Kolkata etc.

IV. On the Basis of Transaction:➤ **Spot Market:**

- ♣ In such markets, goods are exchanged and the physical delivery of goods takes place immediately.

V. On the Basis of Volume of Business:➤ **Wholesale Market:**

- ♣ In wholesale market goods are supplied in bulk quantity to dealers/retailers.

2. How the market can be classified on the basis of Economics?**I. On the Basis of Economics:**➤ **Perfect Market:**

- i. Large number of buyers and sellers are there.
- ii. Prices should be uniform throughout the market.
- iii. Buyers and sellers have a perfect knowledge of market.
- iv. Goods can be moved from one place to another without restrictions.

➤ **Imperfect Market:**

- i. Products are similar but not identical.
- ii. Prices are not uniform.
- iii. There is lack of communication.
- iv. There are restrictions on the movement of goods.

UNIT V ELEMENTS OF MARKETING**CHAPTER 14 MARKETING AND MARKETING MIX****I. Choose the Correct Answers:****1. The initial stage of Marketing system is _____**

- | | |
|--------------------|----------------------|
| a) Monopoly system | b) Exchange to Money |
| c) Barter system | d) Self producing |

2. Who is supreme in the Market?

- | | | | |
|-------------|-----------|---------------|-------------|
| a) Customer | b) Seller | c) Wholesaler | d) Retailer |
|-------------|-----------|---------------|-------------|

3. In the following variables which one is not the variable of marketing mix?

- | | |
|---------------------|---------------------|
| a) Place Variable | b) Product Variable |
| c) Program Variable | d) Price Variable |

4. Marketing mix means a marketing program that is offered by a firm to its target _____ to earn profits through satisfaction of their wants.

- | | | | |
|---------------|-------------|-------------|-----------|
| a) Wholesaler | b) Retailer | c) Consumer | d) Seller |
|---------------|-------------|-------------|-----------|

5. Which one is the example of Intangible product?

- | | | | |
|--------------|------------|-------------|-------------|
| a) Education | b) Mobiles | c) Garments | d) Vehicles |
|--------------|------------|-------------|-------------|

II. Very Short Answer Questions:**1. What is Marketing?**

- ✳ Marketing is the performance of buying activities that facilitate to more flow of goods and services from producer to ultimate user.

2. Define Marketing Mix.

"Marketing mix is a pack of four sets of variables namely product variable, price variable, promotion variable, and place variable". **Mr. Jerome McCarthy**

3. What is meant by Grading?

- * Grading means classification of standardized products in to certain well defined classes.

III. Short Answer Questions:

1. What are the objectives of marketing?

- * Intelligent and capable application of modern marketing policies.
- * To develop the marketing field.
- * To suggest solutions by studying the problems relating to marketing.

2. What are the concept of marketing?

Marketing Concepts	<p><i>What I can sell?</i> MAKE WHAT YOU CAN SELL, BUT DO NOT TRY TO SELL WHAT YOU CAN MAKE.</p> <p><i>Shall I first create products?</i> NO, FIRST CREATE A CUSTOMER, THEN CREATE PRODUCTS.</p> <p><i>Shall I love my products?</i> NO, LOVE YOUR CUSTOMERS AND NOT THE PRODUCTS.</p> <p><i>Who is supreme in markets?</i> CUSTOMER IS SUPREME OR KING.</p> <p><i>Who will shape my decisions?</i> CUSTOMER'S PREFERENCES SHAPE YOUR DECISIONS.</p>
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3. What do you mean by marketing mix? Write any two elements.

- Marketing mix means a marketing programme that is offered by a firm to its target consumers to earn profits through satisfaction of their wants.
- Such marketing programme is a mixture of four ingredients, namely **P**roduct mix, **P**rice mix, **P**lace (Distribution) mix, and **P**romotion mix.

i. Product:

- Product is the main element of marketing. Without a product, there can be no marketing.

ii. Price:

- Price is the value of product expressed in monetary terms. It is the amount charged for the product.

IV. Long Answer Questions:

1. Discuss about the Evolution of marketing. (any 5)

- I. Barter System
- II. Production Orientation
- III. Marketing Orientation
- IV. Consumer orientation
- V. Sales Orientation

i. Barter System:

- * The goods are exchanged against goods, without any other medium of exchange, like money.

ii. Production Orientation:

- * This was a stage where producers, instead of being concerned with the consumer preferences, concentrated on the mass production of goods for the purpose of profit.

iii. Marketing Orientation:

- * Customers' importance was realised but only as a means of disposing of goods produced.

iv. Consumer Orientation:

- * This stage only such products are brought forward to the markets which are capable of satisfying the tastes, preferences and expectations of the consumers-consumer satisfaction.

v. Sales Orientation:

- * The selling became the dominant factor, without any efforts for the satisfaction of the consumer needs.

2. Narrate the Elements of Marketing mix.

- I. Product**
- II. Price**
- III. Place**
- IV. Promotion**

i. Product:

- * Product is the main element of marketing. Without a product, there can be no marketing.

ii. Price:

- * Price is the value of a product expressed in monetary terms. It is the amount charged for the product.

iii. Place (Physical Distribution):

- * Place or physical distribution facilitates the movement of products from the place of manufacture to the place of consumption at the right time.

iv. Promotion:

- * Advertising plays a major role in promotion.

UNIT V ELEMENTS OF MARKETING**CHAPTER 15 RECENT TRENDS IN MARKETING****I. Choose the Correct Answers:****1. Selling goods/ services through internet is**

- | | |
|---------------------|-----------------------|
| a. Green marketing | b. E- business |
| c. Social marketing | d. Meta marketing |

2. Which is gateway to internet?

- | | | | |
|-----------|--------|-----------------|-------------|
| a. Portal | b. CPU | c. Modem | d. Webnaire |
|-----------|--------|-----------------|-------------|

3. Social marketing deals with:

- | | | | |
|------------|------------------------|------------------|----------------|
| a. Society | b. Social Class | c. Social change | d. Social evil |
|------------|------------------------|------------------|----------------|

4. Effective use of Social media marketing increase conversion rates of

- | | |
|---------------------------------|-------------------------------|
| a. Customer to buyers | b. Retailer to customers |
| c. One buyer to another buyer's | d. Direct contact of marketer |

5. Pure play retailers are called

- | | |
|--------------------|-------------------------------|
| a. Market creators | b. Transaction brokers |
| c. Merchants | d. Agents |

II. Very Short Answer Questions:**1. What is service marketing?**

- * A service is any activity or benefit that one party can offer to another
- * **Example:** Banking Sector, Insurance

2. What is green marketing?

- * Green marketing implies marketing environmentally friendly products.

3. What is Ambush marketing?

- * Ambush marketing technique is a new technique whereby a particular advertiser seeks to connect his product to the event in the mind of potential customer without paying sponsoring expenses to the event.

4. What is Social marketing?

- * It is the systematic application of marketing philosophy and techniques to achieve specific behavioural goals which ensure social goods.
- * **For example:** This may include asking people not to smoke in public areas.

III. Short Answer Questions:**1. What are the advantages of E-Marketing?****▲ Any Time Market:**

- * E - Marketing provides 24 hours and 7 days "24/7" service to its users. So consumer can shop or order the product anytime from anywhere.

▲ Direct Contact:

- * Direct contact of end consumer by the manufacturers cuts down the substantially intermediation cost.

▲ Obtaining the Needs:

- * Customer can buy whatever they want/ need just by browsing the various sites.

2. Discuss the objectives E-Marketing. (Any 3)

- * Expansion of market share
- * Reduction of distribution and promotional expenses.
- * Achieving higher brand awareness.

3. Explain in detail about Niche marketing.

- * Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population.
- * Actually there is no market in niche market.
- * **Examples:** STAR Sports, ESPN, STAR Cricket

IV. Long Answer Questions:**1. Explain in detail how traditional marketing differ from E-marketing.**

E-Marketing	Traditional Marketing
1. Expenses: It is very economical	It is very expensive
2. Marketing: Promoting product globally in the short time.	Time consuming to promote product
3. Manpower: It can expand their operation with minimum manpower.	It needs more man power.
4. Period: In this marketing product can be sold or bought 24 x 7.	That is not possible

2. Discuss any two new methods of marketing.**I. Social Marketing:**

- * It is the systematic application of marketing philosophy and techniques to achieve specific behavioural goals which ensure social good.

- * Social marketing promotes the consumption of socially desirable products and develops health consciousness.
- * **For example**, this may include asking people not to smoke in public areas, asking them to wear seat belts or persuading them to follow speed limits.
- * The primary aim of social marketing is 'social good'.

II. Niche Marketing:

- * Niche marketing denotes a strategy of directing all marketing efforts towards one well defined segment of the population.
- * Actually there is no market in niche market.
- * It aimed at being a big fish in a small pond instead of being a small fish in a big pond.
- * **For example**, the sports channels like STAR Sports, ESPN, and STAR Cricket target the niche market of sports enthusiasts.

UNIT VI CONSUMER PROTECTION CHAPTER 16 CONSUMERISM

I. Choose the Correct Answers:

1. The term 'consumerism' came into existence in the year _____.

- a) 1960 b) 1957 c) 1954 d) 1958

2. Who is the father of Consumer Movement?

- a) Mahatma Gandhi b) Mr. Jhon F. Kennedy
c) **Ralph Nader** d) Jawaharlal Nehru

3. Sale of Goods Act was passed in the year?

- a) 1962 b) 1972 c) **1930** d) 1985

4. The Consumer Protection Act came into force with effect from

- a) 1.1.1986 b) 1.4.1986 c) **15.4.1987** d) 15.4.1990

5. _____ of every year is declared as a Consumer Protection Day to educate the public about their rights and responsibilities.

- a) August 15 b) April 15 c) **March 15** d) September 15

II. Very Short Answer Questions:

1. Who is a consumer?

- ✗ A person who buys any goods or services for a consideration which has been paid or promised or partly paid and partly promised or under any system of deferred payment is a consumer.

2. Give two examples of adulteration.

- ✗ Mixing of stones with grains
- ✗ Mixing of coconut oil with palmolein

3. What is Caveat Emptor?

- ✗ 'Caveat emptor' is a Latin term that means "let the buyer beware."
- ✗ Similar to the phrase "sold as is," this term means that the buyer assumes the risk that a product fails to meet expectations or have defects.
- ✗ The term actually means that 'let a purchaser beware',

4. What is Caveat Venditor?

- ✗ Caveat Venditor, which means "let the seller beware," by which goods are covered by an implied warranty of merchantability.
- ✗ Unless otherwise advertised (for example, "sold as is") or negotiated with the buyer, nearly all consumer products are guaranteed to work, if used for their intended purpose.

5. Write a short notes on Consumer Protection Act, 1986.

- ✗ The Central Government enacted a comprehensive law called the Consumer Protection Act in 1986.
- ✗ This Act came into force with effect from 15.04.1987.
- ✗ The Consumer Protection Act 1986 seeks to protect and promote the interests of consumers.
- ✗ The act provides safeguards to consumers against defective goods, deficient services, unfair trade practices, and other forms of their exploitation.

III. Short Answer Questions:

1. What are the important legislations related to consumerism in India?

- ♣ The Sale of Goods Act, 1930
- ♣ The Essential Commodities Act, 1955
- ♣ The Food Safety Standard Act, 2006

2. What is meant by artificial scarcity?

- ✗ There are certain situations where the shop-keepers put up the board 'No Stock' in front of their shops, even though there is plenty of stock in the store.
- ✗ Even in Cinema houses, board may hang in the main entrance 'House Full' while cinema tickets will be freely available at a higher price in the black market.

3. Write the importance of consumerism. (any 3)

- ✗ Awakening and uniting consumers.
- ✗ Discouraging unfair trade practices.
- ✗ Protecting against exploitation.

IV. Long Answer Questions:

1. How consumers are exploited? (any 5)

1. Selling at Higher Price
2. Adulteration
3. Duplicate or Spurious goods
4. Artificial Scarcity
5. False Advertisements

1. Selling at Higher Price:

- ✗ The price charged by the seller for a product service may not be commensurate with the quality but at times it is more than the fair price.

2. Adulteration:

- ✗ It refers to mixing or substituting undesirable material in food.
- ✗ Adulterators make illegitimate profit while prudent businessmen aim at normal profit whenever unscrupulous traders seek to reap higher profit out of greed, they seek to adulterate the products.

Example:

- ✗ Mixing of stones with grains
- ✗ Mixing of coconut oil with palmolein

3. Duplicate or Spurious goods:

- ✗ Duplicate products of popular products are illegally produced and sold.

4. Artificial Scarcity:

- ✗ There are certain situations where the shop-keepers put up the board 'No Stock' in front of their shops, even though there is plenty of stock in the store.

5. False Advertisements:

- ✘ Many times it makes false representation about the quality, price, grade, composition, utility guaranteed, performance etc. Consumers who buy the products on the faith of claims made in advertisements are cheated.

2. Explain the role of business in consumer protection. (any 5)

- 1. Avoidance of Price Hike**
- 2. Avoidance of Hoarding**
- 3. Guarantees for Good Quality**
- 4. Product Information**
- 5. Truth in Advertising**

1. Avoidance of Price Hike:

- ✘ Business enterprises should desist from hiking the price in the context of acute shortage of goods /articles.

2. Avoidance of Hoarding:

- ✘ It should not indulge in hoarding and black marketing to earn maximum possible profit in the short term at the cost of consumers.

3. Guarantees for Good Quality:

- ✘ Business enterprises should not give false warranty for the products. It should ensure supply of good quality.

4. Product Information:

- ✘ Business enterprises should disclose correct, complete and accurate information about the product viz. size, quality, quantity, substances, use, side effects, precautions, weight, exchange, mode of application etc.

5. Truth in advertising:

- ✘ Business enterprises should not convey false, untrue, bogus information relating to the product through the advertisements in media and thus mislead the consumers.

3. What are the objectives of Consumer Protection Act, 1986? (any 5)

- ✘ Protection of consumers against marketing of goods which are hazardous and dangerous to life and property of consumers.
- ✘ Protecting consumers from unfair trade practices of traders.
- ✘ Empowering consumers to seek redressal against exploitation
- ✘ Educating the consumer of their rights and duties
- ✘ Ensuring better standard of living for consumers by providing them with quality products at fair price.

UNIT VI CONSUMER PROTECTION**CHAPTER 17 RIGHTS, DUTIES & RESPONSIBILITIES OF CONSUMER****I. Choose the Correct Answers:**

- 1. The final aim of modern marketing is _____**
 - a. Maximum profit
 - b. Minimum profit
 - c. Consumer satisfaction
 - d. Service to the society
- 2. _____ is the king of modern marketing.**
 - a. Consumer
 - b. Wholesaler
 - c. Producer
 - d. Retailer
- 3. As the consumer is having the rights, they are also having _____.**
 - a. Measures
 - b. Promotion
 - c. Responsibilities
 - d. Duties

4. Which of the following is not a consumer right summed up by John Kennedy F.
- a. Right to safety b. Right to choose
 c. Right to consume d. Right to be informed
5. It is the responsibility of a consumer that he must obtain _____ as a proof for the purchase of goods.
- a. Cash receipt b. Warranty card
 c. Invoice d. All of these

II. Very Short Answer Questions:

1. Write short notes on: "Right to be informed."

- ⊗ Consumers should be given all the relevant facts about the product so that they can take intelligent decisions on purchasing the product.
- ⊗ The package should contain the full details about the name of the product, composition, dosage, date of manufacturing, date of expiry, batch number, warnings, antidote etc.

2. What are the rights of consumer according to John F. Kennedy?

- ⊗ The former president of U.S.A **Mr. John F. Kennedy** defined the basic consumer rights as "The Right of Safety, the Right to be informed, the Right to choose and the Right to be heard."

3. Which is the supreme objective of business?

- ⊗ Consumer satisfaction is the ultimate aim of modern marketing and is the philosophy of marketing concept.

III. Short Answer Questions:

1. What do you understand by "Right to redressal".

- ⊗ The aggrieved party is to be granted compensation within a reasonable time period.
- ⊗ There should be fair and just settlement of deserving claims in a definite time frame.

2. What do you understand about "Right to protection of health and safety".

- ⊗ There may be few products that are more likely to cause physical danger to consumers' health, lives and property.
- ⊗ One thing that is encouraging to-day is that recent legislations have shifted the responsibility for the production of such unsafe items onto the shoulders of sellers rather than on buyers.

IV. Long Answer Questions:

1. Explain the duties of consumers. (any 5)

1. Buying Quality Products at Reasonable Price
2. Ensure the Weight and Measurement before Making Purchases
3. Reading the Label Carefully
4. Beware of False and Attractive Advertisements
5. Misleading Schemes

i) Buying Quality Products at Reasonable Price:

- ⊗ It is the responsibility of a consumer to purchase a product after gaining a thorough knowledge of its price, quality and other terms and conditions.

ii) Ensure the Weights and Measurement before Making Purchases:

- ☼ The consumer should ensure that he/she is getting the product of exact weight and measure.

iii) Reading the Label Carefully:

- ☼ It is the duty of the consumer to thoroughly read the label of the product.

iv) Beware of False and Attractive Advertisements:

- ☼ It is the prime duty of consumer not to get misled by such fraudulent advertisements.

v) Misleading Schemes:

- ☼ The consumer should be aware of the fact that he is not getting anything free and should not buy unwanted things out of greed.

2. What are the responsibilities of consumers? (any 5)

- ☼ The consumer must pay the price of the goods according to the terms and conditions of the sales contract.
- ☼ The consumer has got a responsibility to apply to the seller for the delivery of the goods.
- ☼ The consumer has to bear any loss, which may arise to the seller when the consumer delays taking delivery of the goods as per the terms of contract.
- ☼ The consumer has the responsibility to express unambiguously to the seller of his requirements and expectations from the product.
- ☼ The consumer must get cash receipt as a proof of goods purchased from the seller.

UNIT VI CONSUMER PROTECTION**CHAPTER 18 GRIEVANCE REDRESSAL MECHANISM****I. Choose the Correct Answers:**

- The Chairman of the National Consumer Disputes Redressal Council is _____**
 - Serving or Retired Judge of the Supreme Court of India.**
 - Prime Minister
 - President of India
 - None of the above
- The Chairman of the State Consumer Protection Council is _____**
 - Judge of a High Court**
 - Chief Minister
 - Finance Minister
 - None of the above
- The Chairman of the District Forum is _____**
 - District Judge**
 - High Court Judge
 - Supreme Court Judge
 - None of the above
- The State Commission can entertain complaints where the value of the goods or services and the compensation, if any claimed exceed**
 - Rs.2 lakhs but does not exceed Rs.5 lakhs
 - Rs.20 lakhs but does not exceed Rs.1 crore**
 - Rs.3 lakhs but does not exceed Rs.5 lakhs
 - Rs.4 lakhs but does not exceed Rs.20 lakhs
- The International Organisation of Consumers Unions (IOCU) was first established in**
 - 1960**
 - 1965
 - 1967
 - 1987

II. Very Short Answer Questions:**1. What do you mean by Redressal Mechanism?**

- ✘ Exploitation is common where consumers are unaware of their rights and privileges.
- ✘ The Consumer Protection Act postulates establishment of Consumer Protection Councils at the District, State and Central levels for the purpose of spreading consumer awareness.

2. What do you know about National Commission?

- ✘ The Commission is headed by a serving or retired judge of the Supreme Court of India.
- ✘ The National Consumer Disputes Redressal Commission (NCDRC) is also called as National Commission.

Jurisdiction:

- ✘ To entertain a complaint valued more than 1 Crore.

3. State the meaning of the term State Commission.

- ✘ The State Commission is to be appointed by the State Government in consultation with the Centre.

Members:

- ✘ A person who is or has been a Judge of a High Court appointed by the State Government as its President.

4. What is an term District Forum?

- ✘ As per the Consumer Protection Act of 1986 and Section 9 thereof the establishment of a District Forum by the State Government in each district is necessary today to protect the interest of aggrieved consumers in that district.

III. Short Answer Questions:**1. Who are the members of the National Commission?**

- ✘ The National Commission should have five members.
- ✘ One should be from judiciary.
- ✘ Four other members of ability, knowledge and experience from any other fields.
- ✘ It should include a woman.

2. Who are the members of the State Commission?

- ✘ A person who is or has been a Judge of a High Court appointed by the State Government as its President.
- ✘ Two other members who shall be persons of ability, integrity and standing and have adequate knowledge or experience of or have shown capacity in dealing with problems relating to economics, law, commerce, industry, public affairs or administration of them, one shall be a woman.

3. Write a note on the Voluntary Consumer Organisation.

- ✘ Voluntary consumer organisations refer to the organisation formed voluntarily by the consumers to protect their rights and interests.

Objectives:

- ✘ The Department of Consumer Affairs (DCA) operates the Consumer Welfare Fund (CWF). The primary objective of the CWF is to strengthen the Consumer Advocacy Movement in India.
- ✘ A wide network of Voluntary Consumer Organisation (VCO) is doing commendable work to raise awareness amongst consumers.

4. Macro Environment of business is an _____ factor.

- (a) Uncontrollable (b) Controllable
(c) Manageable (d) Immanageable

5. The two major types of business environment are _____ and _____.

- (a) Positive and Negative (b) Internal and External
(c) Good and Bad (d) Allowable and Unallowable

II. Very Short Answer Questions:

1. What is internal environment?

- ♣ Internal environment refers to those factors within an organization.
- ♣ E.g: Policies and programmes, organisational structure, employees, financial and physical resources.
- ♣ These factors can be changed or altered and hence are known as controllable factors.

2. Give the meaning of corporate governance.

- ♣ Corporate governance is a set of rules and policies which governs a company.

3. What is GST?

- ♣ GST is the indirect tax levied on goods and services across the country.

4. Expand VUCA.

- ♣ VUCA – volatility, uncertainty, complexity and ambiguity, developed in the late 80's by the U.S military.
- ♣ Every business has to take strategic decisions.

III. Short Answer Questions:

1. What are the political environment factors? (any 3)

- ♣ The image of the leader and the country in the inter-national arena.
- ♣ The constitution of the nation.
- ♣ The Foreign policy of the country with special reference to tariffs and free trade.

2. Write about any three internal environmental factors of business.

i. Company image:

- ♣ The image of an organisation plays an important role in introducing new products, selecting agents and dealers for distribution, forging alliances with suppliers,

ii. Vision and objectives:

- ♣ The vision and objectives of a business guides its operations and strategic decisions.
- ♣ Example 'Amul the taste of India' Gujarat Co-operative Milk Marketing Federation (GCMMF)

iii. Human resources:

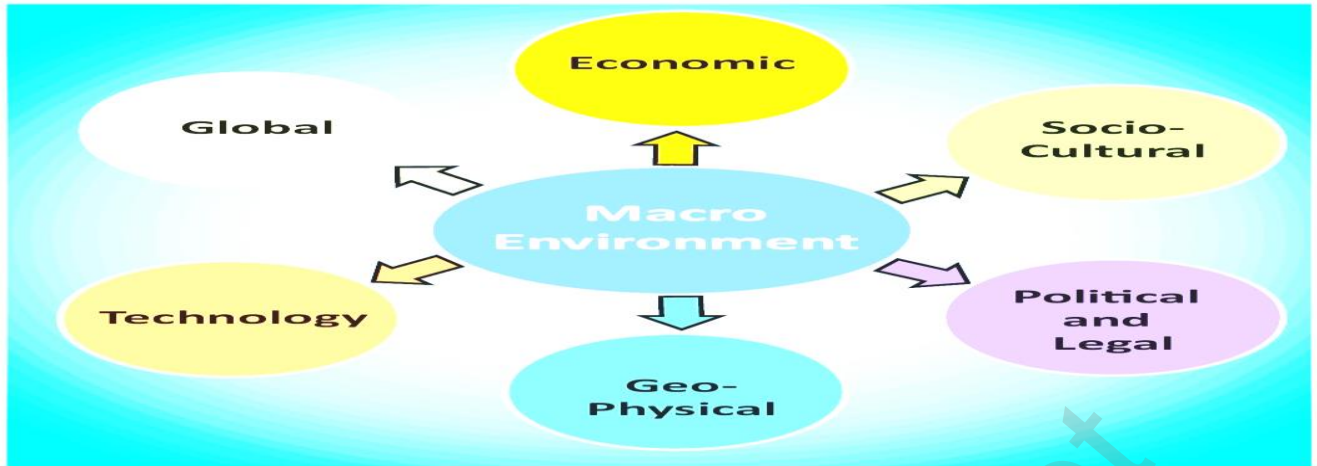
- ♣ The quality, skill competency, right attitude and commitment of its human resources is essential for the success of an organisation.

3. What do you know about Technological environment?

- ♣ The development in the IT and telecommunications has created a global market.
- ♣ Technology is widely used in conducting market research for understanding the special needs of the customer.
 - 1) The level of technology available within the country
 - 2) Rate of change in technology
 - 3) Technology adopted by competitors
 - 4) Technological obsolescence

IV. Long Answer Questions:

1. Discuss the role of macro environment of business. (any 5)



I. Economic environment:

- ♣ The business is an integral part of the economic system prevalent in nation.

II. Socio-Cultural environment:

- ♣ Business is a part of the society.

III. Political and Legal environment:

- ♣ The success of a business lies in its ability to adapt and sustain to political and legal changes.

IV. Geo-physical environment:

- ♣ The natural, geographical and ecological factors have a bearing on the business.

V. Technological environment:

- ♣ The development in the IT and telecommunications has created a global market.

2. Explain the micro environmental factors of business. (any 5)

1. Financiers
2. Suppliers
3. Marketing Channel Members
4. Public
5. Customers

i) Financiers:

- ♣ The financiers of a business which includes the debenture holders and financial institutions play a significant part in the running of a business.

ii) Suppliers:

- ♣ In any organisation the suppliers of raw materials and other inputs play a very vital role.

iii) Marketing Channel Members:

- ♣ The marketing inter-mediaries serve as a connecting link between the business and its customers.

iv) Public:

- ♣ Many companies had to face closure due to actions by local public.

v) Customers:

- ♣ The aim of any business is to satisfy the needs of its customers.
- ♣ The customer is the king and the fulcrum around which the business revolves.

UNIT VII BUSINESS ENVIRONMENT

CHAPTER 20: LIBERALIZATION, PRIVATIZATION AND GLOBALIZATION

I. Choose the Correct Answers:

1. _____ is the result of New Industrial Policy which abolished the 'License System'.
 (a) Globalisation (b) Privatisation
 (c) Liberalisation (d) None of these
2. _____ means permitting the private sector to setup industries which were previously reserved for public sector.
 (a) Liberalisation (b) Privatisation
 (c) Globalisation (d) Public Enterprise
3. _____ ownership makes bold management decisions due to their strong foundation in the international level.
 (a) Private (b) Public (c) Corporate (d) MNC's
4. _____ results from the removal of barriers between national economies to encourage the flow of goods, services, capital and labour.
 (a) Privatisation (b) Liberalisation
 (c) Globalisation (d) Foreign Trade
5. New Economic Policy was introduced in the year _____.
 (a) 1980 (b) 1991 (c) 2013 (d) 2015

II. Very Short Answer Questions:

1. State the branches of New Economic Policy.



2. What is Privatisation?
 ♣ Privatization is the incidence or process of transferring ownership of a business enterprise, agency or public service from the government to the private sector.
3. Mention any two disadvantages of Liberalisation.
 ♣ Increase in unemployment:
 ♣ Loss to domestic units:
4. Give any two advantages of Globalisation.
 ♣ Expansion of market
 ♣ Technological development

III. Short Answer Questions:

1. What do you mean by Liberalisation?
 ♣ Liberalization refers to laws or rules being liberalized, or relaxed, by a government.
 ♣ Liberalization is the result of New Industrial Policy which abolished the "License system" or "Licence Raj".
2. State any three impacts on Globalisation.
 ♣ Multinational corporations (MNCs) can manufacture, buy and sell goods worldwide.
 ♣ Globalisation has led to a boom in consumer products market.
 ♣ The advent of foreign companies and growth in economy has led to job creation.

3. Write a short note on New Economic Policy.



- ♣ The base for New Economic Policy in various countries of the world is Dunkel Draft, which was all about the General Agreements on Trade and Tariff.
- ♣ **Mr. Arthur Dunkel** (1932-2005) submitted a 22000 page document for the World Trade Organisation (WTO).
- ♣ India is one among such nations to commit itself to the New Economic Policy in 1991.

IV. Long Answer Questions:

1. Explain the advantages and disadvantages of liberalisation. (any 5)

I. Advantages:

- i. Increase in Foreign Investment
- ii. Increase the foreign exchange reserve
- iii. Reduction in external borrowing

II. Disadvantages:

- i. Increase in unemployment
- ii. Loss to domestic units

I. Advantages:

(a) Increase in foreign investment:

- ♣ If a country liberalises its trade, it will make the country more attractive for inward investment.

(b) Increase the foreign exchange reserve:

- ♣ Relaxation in the regulations covering foreign investment and foreign exchange has paved way for easy access to foreign capital.

(c) Reduction in external borrowings:

- ♣ Liberalization reduces the dependence on external commercial borrowings by attracting more foreign investments.

II. Disadvantages

(a) Increase in unemployment:

- ♣ Some industries grow, some decline. Therefore, there may often be structural unemployment from certain industries closing.

(b) Loss to domestic units:

- ♣ With fewer entry restrictions, it has been possible for many entrants to make inroads into the country, which poses a threat and competition to the existing domestic units.

2. What are the highlights of the LPG policy? (any 5)

Highlights of the LPG Policy

- ♣ Introduction of new Foreign Trade Agreements
- ♣ Foreign Investment (FDI & FII)
- ♣ MRTP Act, 1969 (Amended)
- ♣ Deregulation
- ♣ Opportunities for overseas trade
- ♣ Steps to regulate inflation
- ♣ Tax reforms
- ♣ Abolition of License

**UNIT VIII THE SALE OF GOODS ACT 1930 AND
THE NEGOTIABLE INSTRUMENTS ACT 1881
CHAPTER 21 THE SALE OF GOODS ACT, 1930**

I. Choose the Correct Answers:

1. Sale of Goods Act was passed in the year

- a) 1940 b) 1997 **c) 1930** d) 1960

2. Which of the below constitutes the essential element of contract of sale?

- a) Two parties b) Transfer of property
c) Price **d) All of the above**

3. Which of the below is not a good?

- a) Stocks **b) Dividend due**
c) Crops d) Water

4. In case of the sale, the _____ has the right to sell

- a) Buyer **b) Seller** c) Hirer d) Consignee

5. The property in the goods means the

- a) Possession of goods b) Custody of goods
c) Ownership of goods d) Both (a) and (b)

II. Very Short Answer Questions:

1. What is a contract of sale of goods? (MAR – 2023, PTA - 1) ✎

- ✦ Contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property (ownership) of the goods to the buyer for a price.

2. List down the essential elements of a contract of sale. (PTA – 1,6) ✎

- (1) Two Parties (2) Transfer of Property (3) Goods (4) Price
(5) Includes both 'sale' and 'agreement to sell'.

3. What is meant by goods?

- ✦ The term 'goods' includes every kind of movable property, stocks and shares, growing crops etc. Goodwill, trademarks, copy rights, patent rights etc., are all also regarded as goods.

4. What is a Contingent Goods? (MAY – 2022, JUNE-2023) ✎

- ✦ Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency (an event which may or may not happen).
- ✦ Contingent goods are a part of future goods.

III. Short Answer Questions:

1. Discuss in detail about existing goods. (AUG – 2021, MAY - 2022) ✎

- ✦ Existing goods are those owned or possessed by the seller at the time of contract of sale. **(OR)**
- ✦ Goods possessed even refer to sale by agents or by pledgers.
- ✦ Existing goods may be either
 - i) Specific Goods
 - ii) Ascertained Goods
 - iii) Generic or Unascertained Goods

2. Discuss the implied conditions and warranties in sale of goods contract. (PTA – 2) ✎

- ✦ **Implied Conditions:**
 1. Conditions as to Title
 2. Conditions as to Description
 3. Sale by Sample
- ✦ **Implied Warranties:**
 1. Quiet Possession
 2. Free from Any Encumbrances
 3. Warranty in the case of Dangerous Goods

IV. Long Answer Questions:**1. Explain in detail the elements of Contract of sale. (MAY – 2021, AUG – 2021, JULY – 2022, MAR - 2023) ✎**

- 1. Two Parties**
- 2. Transfer of Property**
- 3. Goods**
- 4. Price**
- 5. Includes both 'Sale' and 'Agreement to sell'**

(1) Two Parties:

- ✦ A contract of sale involves two parties – the seller and the buyer.
- ✦ The buyer and the seller should be two different persons.

(2) Transfer of Property:

- ✦ To constitute sale, the seller must transfer or agree to transfer the ownership in the good to the buyer. A mere transfer of possession does not amount to sale.

(3) Goods:

- ✦ The term 'goods' includes every kind of movable property, stocks and shares, growing crops etc.
- ✦ Goodwill, trademarks, copy rights, patent rights etc., are all also regarded as goods.

(4) Price:

- ✦ The monetary consideration for the goods sold is called price.
- ✦ If goods are sold partly for goods and partly for money, the contract is one of sale.

(5) Includes both 'Sale' and 'Agreement to Sell':

- ✦ The term contract of sale includes both sale and agreement to sell.
- ✦ If the property in goods is transferred immediately to the buyer it is called a sale.
- ✦ On the other hand, if the transfer of property takes place at a future date or on fulfilment of certain conditions, it is called 'an agreement to sell'

2. Distinguish between Conditions and Warranty. (SEP – 2020, JULY – 2022, JUNE-2023, PTA - 2) ✎

S.N	Basis	Condition	Warranty
1.	Meaning	It is a stipulation which is essential to the main purpose of the contract of sale.	It is a stipulation which is collateral to the main purpose of contract.
2.	Significance	Condition is so essential to the contract that the breaking of which cancels out the contract.	It is of subsidiary or inferior character. The violation of warranty will not revoke the contract.
3.	Transfer of Ownership	Ownership on goods cannot be transferred without fulfilling the conditions.	Ownership on goods can be transferred on the buyer without fulfilling the warranty.
4.	Remedy	In case of breach of contract, the affected party can cancel the contract and claim damages.	In the case of breach of warranty, the affected party cannot cancel the contract but can claim damages only.
5.	Treatment	Breach of condition may be treated as breach of warranty	Breach of warranty cannot be treated as breach of condition.

**UNIT VIII THE SALE OF GOODS ACT 1930 AND
THE NEGOTIABLE INSTRUMENTS ACT 1881
CHAPTER 22 THE NEGOTIABLE INSTRUMENTS ACT 1881**

I. Choose the Correct Answers:

1. **Negotiable Instrument Act was passed in the year _____.**
a. 1981 **b. 1881** c. 1994 d. 1818
2. **Number of parties in a bill of exchange are**
a. 2 b. 6 **c. 3** d. 4
3. **Section 6 of Negotiable Instruments Act 1881 deals with**
a. Promissory Note b. Bills of exchange
c. Cheque d. None of the above
4. **_____ cannot be a bearer instrument.**
a. Cheque **b. Promissory Note**
c. Bills of exchange d. None of the above
5. **A cheque will become stale after _____ months of its date:**
a. 3 b. 4 c. 5 d. 1

II. Very Short Answer Questions:

1. **What is meant by Negotiable Instrument?**
❖ A negotiable instrument is a document which entitles a person to a certain sum of money and which is transferable from one person to another by mere delivery or by endorsement and delivery.
2. **List three characteristics of a Promissory Note.**
❖ A promissory note must be in writing.
❖ It must be signed by the maker. The signature must be in any part of the instrument and it need not be at the bottom.
❖ A promissory note must be sufficiently stamped.
3. **What is a meant by Cheque?**
❖ According to section 6 of the Negotiable Instruments Act, 1881 defines a cheque as "a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand".

III. Short Answer Questions:

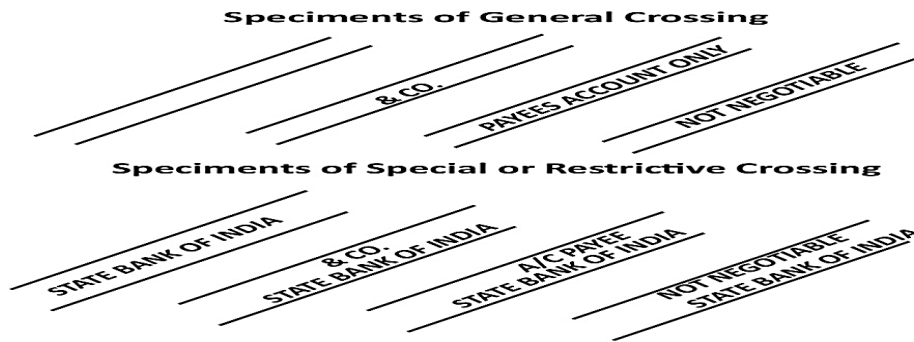
1. Distinguish between Negotiability and Assignability. (any 3)

S.N	Basis	Negotiability	Assignability
1.	Legal Ownership	It passes to the transferee by mere endorsement in the case of a bearer instrument and by endorsement and delivery in the case of an order instrument.	An assignment can be made by observing certain formalities. For instance, an instrument is to be made in writing, duly stamped and signed by the transferor or his agent.
2.	Notice	Notice is not necessary	In case of actionable claim, notice is necessary.
3.	Consideration	Consideration is presumed	The assignee has to prove the consideration for the transfer.

2. What are the characteristics of a bill of exchange? (any 3)

- ❖ A bill of exchange is a document in writing.
- ❖ The document must contain an order to pay.
- ❖ The order must be unconditional.

3. Draw the two different types of crossing.



IV. Long Answer Questions:

1. Distinguish a cheque and a bill of exchange. (any 5)

Sl. No.	Basic of Difference	Bill of Exchange	Cheque
1.	Drawn	A bill of exchange can be drawn on any person including a banker	A cheque can be drawn only on a particular banker.
2.	Payability	It is payable on demand or on the expiry of a certain period.	It is payable on demand only.
3.	Grace period	Three days of grace are allowed	No days of grace are allowed
4.	Stamping	Bills are to be sufficiently stamped	Cheques need not be stamped
5.	Crossing	A bill cannot be crossed	A cheque can be crossed

2. Discuss in detail the features of a cheque. (any 5)

- i. **Instrument in Writings**
- ii. **Unconditional Orders**
- iii. **Drawn on a Specified Banker Only**
- iv. **A Certain Sum of Money Only**
- v. **Signed by the Drawer**

(i) Instrument in Writings:

- ❖ A cheque or a bill or a promissory note must be an instrument in writing.

(ii) Unconditional Orders:

- ❖ The instrument must contain an order to pay money.

(iii) Drawn on a Specified Banker Only:

- ❖ The cheque is always drawn on a specified banker.

(iv) A Certain Sum of Money Only:

- ❖ The order must be for payment of only money.

(v) Signed by the Drawer:

- ❖ The cheque is to be signed by the drawer. Further, it should tally with specimen signature furnished to the bank at the time of opening the account.

3. What are the requisites for a valid endorsement? (any 5)

- ❖ Endorsement is to be made on the face of the instrument or on its back. It is usually made on the back of a negotiable instrument.
- ❖ When there is no space for making further endorsements a piece of paper can be attached to the negotiable instrument for this purpose. This piece of paper is called 'Allonge'.

- ❖ Endorsement for only a part of the amount of the instrument is invalid. It can be made only for the entire amount.
- ❖ Signing in block letters does not constitute regular endorsement.
- ❖ If the payee is an illiterate person, he can endorse it by affixing his thumb impression on the instrument.

UNIT IX ENTREPRENEURSHIP DEVELOPMENT
CHAPTER 23 ELEMENTS OF ENTREPRENEURSHIP

I. Choose the Correct Answers:

1. Which of the below is a factor of production?

- (a) Land (b) Labour
(c) Entrepreneurship **(d) All of the above**

2. Entrepreneur is not classified as

- (a) Risk Bearer (b) Innovator
(c) Employee (d) Organizer

3. What are the characteristics of an entrepreneur?

- (a) Spirit of enterprise (b) Flexibility
(c) Self Confidence **(d) All of the above**

4. Which of the below is not classified into managerial functions?

- (a) Planning **(b) Marketing**
(c) Organizing (d) Controlling

5. Which of the below is a commercial function?

- (a) Accounting** (b) Coordination
(c) Discovery of idea (d) Planning

II. Very Short Answer Questions:

1. Mention any two characteristics of entrepreneurs.

- Hard Work
- Self Confidence

2. List down the managerial functions of entrepreneurs. (any 2)

- Planning
- Organizing

3. List down the promotional functions of entrepreneurs. (any 2)

- Discovery of Idea
- Determining the business objectives

4. List the challenges faced by the women entrepreneurs. (any 2)

- Problem of Finance
- Limited Mobility
- Lack of Education
- Lack of Network Support

III. Short Answer Questions:

1. Distinguish between entrepreneur and Manager. (any 3)

Basis of difference	Entrepreneur	Manager
Status	Entrepreneur is owner of the entity	Manager is a salaried employee in the entity set up for carrying on the venture.

Risk Bearing	Entrepreneur bears the eventual risk and uncertainty in operating the enterprise	Manager doesn't bear any risk in the venture where the venture is unsuccessful he/she simply quits the enterprise.
Rewards	Entrepreneur is rewarded by profit for the risk bearing exercise. The reward for entrepreneur is totally uncertain.	Manager's reward salary, bonus, allowance is certain and regular.

2. List down the commercial functions of Entrepreneur and explain them shortly. (any 3)

(i) Production or Manufacturing:

- ❖ Under production function, entrepreneur has to take decision relating to selection of factory site, design and layout, type of products to be manufactured, research and development, product design etc.,

(ii) Marketing:

- ❖ Entrepreneur has to carry out following functions pertaining to marketing aspect namely consumer research, product planning and development, standardisation, packaging, pricing, warehousing, distribution, promotion etc.,

(iii) Accounting:

- ❖ Entrepreneur has to arrange to prepare trading and profit and loss account in order to know the profit or loss incurred out of operation of the business and prepare balance sheet to know the financial status of business at a particular day.

3. Explain the promotional functions of entrepreneur. (any 3)

(i) Discovery of Idea:

- ❖ The first and foremost function of entrepreneur is idea generation.
- ❖ A person may conceive his own ideas or develop the ideas contributed by others.

(ii) Determining the Business Objectives:

- ❖ Entrepreneur has to develop business objectives in the backdrop of nature of business and type of business activity
- ❖ i.e. Nature of business, manufacturing or trading

(iii) Fulfillment of the Formalities:

- ❖ Having chosen the appropriate type of organisation, entrepreneur has to take necessary steps to establish the form of organisation chosen.

IV. Long Answer Questions:

1. What are the characteristics of an entrepreneur? (any 5)

- i. Spirit of Enterprise**
- ii. Self Confidence**
- iii. Flexibility**
- iv. Innovation**
- v. Hard Work**

1. Spirit of Enterprise:

- Entrepreneur should be bold enough to encounter risk arising from the venture undertaken.

2. Self Confidence:

- The negativities like inconvenience, discomfort, disappointments, rejections, frustrations and so on should not weaken his steely resolve to make the venture a grand success.

3. Flexibility:

- Entrepreneur should not doggedly stick to decisions in a rigid fashion.

4. Innovation:

- Entrepreneur should contribute something new or something unique to meet the changing requirements of customers namely new product, new method of production or distribution.

5. Hard work:

- Entrepreneur should put in strenuous efforts and constant endeavours to accomplish the goals of the venture successfully.

2. Distinguish between an Entrepreneur and an Intrapreneur. (any 5)

Basis	Entrepreneur	Intrapreneur
Status	Entrepreneur is owner , and doesn't report to anybody in the venture.	Intrapreneur is a salaried employee. Intrapreneur works within control put in place in the organization and is made accountable for the activities undertaken.
Dependency	Entrepreneur is an independent person	Intrapreneur is dependent on the entrepreneur. He is an employee.
Reward	Entrepreneur is rewarded by profit for the risk bearing exercise.	Intrapreneur does not share in profits of venture. But gets perquisites, salary, incentives etc., for the service.
Fund Mobilization	Entrepreneur has to mobilize funds to finance the venture.	Intrapreneur does not engage in fund mobilization. But can access funds mobilized by the entrepreneur.
Risk Bearing	Entrepreneur bears the risk involved in the venture undertaken.	Intrapreneur does not bear any risk in the venture and does not even share the risk inherent in the project or work assigned.

3. Discuss the challenges faced by Women Entrepreneurs. (any 5)

- i. Problem of Finance**
- ii. Limited Mobility**
- iii. Lack of Education**
- iv. Lack of Network Support**
- v. Stiff Competition**

1. Problem of Finance:

- The access of women to external sources of funds is limited as they do not generally own properties in their own name.

2. Limited Mobility:

- Indian women cannot afford to shed their household responsibilities towards their family even after they plunge into the venture started by them.

3. Lack of Education:

- Illiterate and semi-literate women entrepreneurs encounter a lot of challenges in their entrepreneurial journey with respect to maintaining accounts, understanding money matters, day-to-day operations of the company, marketing the products, applying technology etc.,

4. Lack of Network Support:

- The successful operation of any venture irrespective of the size depends upon the network of support extended by various constituencies like family members, friends, relatives, acquaintances, neighbours, institutions and so on.

5. Stiff Competition:

- Since they are not able to spend liberally due to financial constraints, they are not able to compete effectively and efficiently in the market.

UNIT IX ENTREPRENEURSHIP DEVELOPMENT
CHAPTER 24 TYPES OF ENTREPRENEURS

I. Choose the Correct Answers:**1. Which of the following is the Activity of a Business Entrepreneur?**

- | | |
|---------------|----------------------------|
| a. Production | b. Marketing |
| c. Operation | d. All of the above |

2. Find the odd one out in context of Trading Entrepreneur.

- | | |
|------------|-------------------------|
| a. Selling | b. Commission |
| c. Buying | d. Manufacturing |

3. Corporate Entrepreneur is also called as _____

- | | |
|-----------------|--------------------|
| a. Intrapreneur | b. Promoter |
| c. Manager | d. Shareholder |

4. Which of these is based on Technology?

- | | |
|--------------|------------------------|
| a. Modern | b. Professional |
| c. Corporate | d. Industrial |

5. Which of the below is not a Characteristic of a Fabian Entrepreneur?

- | | |
|-----------------|--------------------|
| a. Conservative | b. Risk averse |
| c. Sceptical | d. Adaptive |

II. Very Short Answer Questions:**1. What is the other name of business entrepreneur?**

- ✘ Business entrepreneur is called solo entrepreneur.
- ✘ A new product/service and establishes a business enterprise to translate his idea into reality.

2. Mention the other name for corporate entrepreneur.

- ✘ Corporate entrepreneur is called Promoter.

3. Who are agricultural entrepreneur?

- ✘ Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them.
- ✘ They use the various inputs like labour, fertilizer, insecticide, water technology etc. to raise the products and market their products either directly or through co-operative entities or through brokers or through tie up with large retailers.

4. Give some examples of pure entrepreneurs.

Dhirubai Ambani, Jamshadji Tata, T.V. Sundaram Iyengar, Seshadriji, Birla, Narayanamurthi, Aziz Premji

III. Short Answer Questions:**1. Who is a private entrepreneur?**

- ✘ Ventures started by individual either singly or collectively at their own risk after mobilising various resources in order to earn profit are called private entrepreneurship.

2. Explain about the imitative entrepreneur.

- ✘ Imitative entrepreneur is one who simply imitates existing skill, knowledge or technology already in place in advanced countries.
- ✘ **For example**, many electronic products invented in advanced countries are simply reengineered in developing countries.

3. Write about Fabian entrepreneur.

- ✘ These entrepreneurs are said to be conservatives and sceptical about plasticising any change in their organisation. They are of risk-averse type.
- ✘ **Example; Nursus coffee**

IV. Long Answer Questions:

1. Explain in detail on classification according to the type of business. (any 5)

- i. **Business Entrepreneur**
- ii. **Trading Entrepreneur**
- iii. **Industrial Entrepreneur**
- iv. **Corporate Entrepreneur**
- v. **Agricultural Entrepreneur**

1. Business Entrepreneur:

- ✘ Business entrepreneur is called solo entrepreneur.
- ✘ A new product/service and establishes a business enterprise to translate his idea into reality.

2. Trading Entrepreneur:

- ✘ Trading entrepreneurs are those who restrict themselves to buying and selling finished goods.

3. Industrial Entrepreneur:

- ✘ These are entrepreneurs who manufacture products to cater to the needs of consuming public after identifying the need left unfulfilled by the manufacturer hitherto.

4. Corporate Entrepreneur:

- ✘ Corporate entrepreneur is called promoter. He/she takes initiative necessary to start an entity under corporate format.

5. Agricultural Entrepreneur:

- ✘ Agricultural entrepreneurs are those entrepreneurs who raise farm products and market them.

2. Discuss the nature of functional entrepreneurs.

- i. **Innovating Entrepreneur**
- ii. **Imitative Entrepreneur**
- iii. **Fabian Entrepreneur**
- iv. **Drone Entrepreneur**

1. Innovating Entrepreneur:

- ✘ Innovative entrepreneur is one who is always focussed on introducing a new project or introducing something new in the venture already started.

2. Imitative Entrepreneur:

- ✘ A simply reengineer or redesign the products developed in advanced countries and produce a version suited to their local conditions.
- ✘ **For example**, many electronic products invented in advanced countries are simply reengineered in developing countries.

3. Fabian Entrepreneur:

✘ These entrepreneurs are said to be conservatives and sceptical about plasticising any change in their organisation. They are of risk-averse type.

✘ **Example; Nursus coffee**

4. Drone Entrepreneur:

✘ Drone entrepreneurs are those who are totally opposed to changes unfolding in the environment. They used to operate in the niche market.

✘ **Example; Gopal Tooth powder**

UNIT IX ENTREPRENEURSHIP DEVELOPMENT**CHAPTER 25 GOVERNMENT SCHEMES FOR ENTREPRENEURIAL DEVELOPMENT****I. Choose the Correct Answers:**

1. The _____ initiative was launched to modernize the Indian economy to make all governments services available electronically.
 - a) Standup India
 - b) Startup India
 - c) Digital India**
 - d) Make in India
2. _____ is designed to transform India to a global design and manufacturing hub.
 - a) Digital India
 - b) Make in India**
 - c) Startup India
 - d) Design India.
3. _____ is the Government of India's endeavour to promote culture of innovation and entrepreneurship.
 - a) AIM**
 - b) STEP
 - c) SEED
 - d) AIC
4. _____ should cover aspects like sources of finance, technical know-how, source of labour and raw material, market potential and profitability.
 - a) Technical Report
 - b) Finance Report
 - c) Project Report**
 - d) Progress Report
5. _____ has to include the mechanism for managing venture in the project report.
 - a) Banker
 - b) Government
 - c) Lending Institutions
 - d) Entrepreneur**

II. Very Short Answer Questions:**1. Name any two Governmental Entrepreneurial schemes.**

- ✘ Startup India
- ✘ Make in India

2. Give a note on 'Digital India'.

- ✘ The Digital India initiative has been launched to modernize the Indian economy to make all government services available electronically.

3. List down the two types of finance for Entrepreneur.

- ✘ Entrepreneur requires two types of finance namely long term and short term.

III. Short Answer Questions:**1. What is 'Startup India'?**

- ✎ Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle. Since its launch in January 2016.
- ✎ A 'Fund of Funds' has been created to help startups gain access to funding.

2. Expand the following:

- ✎ Support to Training and Employment Programme for Women (**STEP**)
- ✎ Jan Dhan-Aadhaar - Mobile (**JAM**)
- ✎ Science for Equity Empowerment and Development (**SEED**)

IV. Long Answer Questions:**1. Explain any five Government Entrepreneurial schemes.**

- i. Startup India**
- ii. Make in India**
- iii. Jan Dhan-Aadhaar - Mobile (JAM)**
- iv. Digital India**
- v. Stand-Up India**

1. Startup India:

- ✎ Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle. Since its launch in January 2016.

2. Make in India:

- ✎ This scheme is designed to transform India into a global design and manufacturing hub, the Make in India initiative was launched in September 2014.

3. Jan Dhan-Aadhaar - Mobile (JAM):

- ✎ JAM, for the first time, is a technological intervention that enables direct transfer of subsidies to intended beneficiaries to bank account.

4. Digital India:

- ✎ The Digital India initiative has been launched to modernize the Indian economy to make all government services available electronically.

5. Stand-Up India:

- ✎ It was launched in 2015, Stand-Up India seeks to leverage institutional credit for the benefit of India's underprivileged. It aims at enabling economic participation of, women entrepreneurs, Scheduled Castes and Scheduled Tribes and share the benefit of Indian growth with the above mentioned categories.

2. Describe the steps promoting Entrepreneurial venture.

- i. Selection of the product**
- ii. Selection of form of ownership**
- iii. Selection of Site**
- iv. Designing Capital Structure**
- v. Preparation of project report**

1. Selection of the product:

- ✎ An entrepreneur may select a product according to his aspiration, capacity and motivation after a thorough scrutiny of micro and macro environment of business.

2. Selection of form of ownership:

- ✗ Entrepreneur has to choose the form of organisation suitable and appropriate for his venture namely family ownership, partnership and private limited company.

3. Selection of Site:

- ✗ Entrepreneur has to choose suitable plot for accommodating his venture.
- ✗ He has four options open to him for housing his venture.

4. Designing Capital Structure:

- ✗ Entrepreneur has to determine the source of financé for funding the venture.

5. Preparation of project report:

- ✗ Project reports needs to be prepared according to the format prescribed in the loan application form of term lending institutions.

UNIT X COMPANY LAW AND SECRETARIAL PRACTICE
CHAPTER 26 COMPANIES ACT 2013

I. Choose the Correct Answers:

1. The Company will have to issue the notice of situation of Registered Office to the Registrar of Companies within _____ days from the date of incorporation.

- (a) 14 days (b) 21 days **(c) 30 Days** (d) 60 Days

2. How does a person who envisages the idea to form a company called?

- (a) Director (b) Company Secretary (c) Registrar **(d) Promoter**

3. Which of the following types of shares are issued by a company to raise capital from the existing shareholders?

- (a) Equity Shares **(b) Rights Shares**
(c) Preference Shares (d) Bonus Shares

4. The shares which are offered to the existing shareholder at free of cost is known as _____.

- (a) Bonus Share** (b) Equity Share
(c) Right Share (d) Preference Share

5. The shares which are offered first to the existing shareholder at reduced price is known as _____.

- (a) Bonus Share (b) Equity Share
(c) Right Share (d) Preference Share

II. Very Short Answer Questions:

1. What are the four stages of formation of a company?

- * Promotion
- * Registration
- * Capital Subscription and
- * Commencement of Business.

2. What is Bonus Shares?

- * Bonus share means to utilize the company's reserves and surpluses, issue of shares to existing shareholders without taking any consideration is known as Bonus Shares. It can be issued by:

- (i) Making partly paid up shares as fully paid
- (ii) Issuing new shares

3. What is Right Shares?

- * Right shares are the shares which are issued by the company, with the aim of increasing the subscribed share capital of the company by further issue, if it is authorized by its Articles.
- * The right shares are primarily issued to the existing equity shareholders through a letter of an issue, on pro rata basis.

4. What is Debentures?

- * According to Section 2(30) of Companies Act 2013 "debenture" includes debenture stock, bonds or any other instrument of a company evidencing a debt, whether constituting a charge on the assets of the company or not; It is evident from the definition that the term debentures covers both secured and unsecured debentures.

III. Short Answer Questions:

1. What do you understand by Issue of Securities at Premium?

- * When shares are issued at a price above the face or nominal value, they are said to be issued at a premium.
- * For example, a share having the face value of Rs.10 is issued at Rs.12. Here, Rs.2 is the premium.
- * The amount of share premium has to be transferred to an account called the 'Securities Premium Account'. This account is capital in nature.

2. Explain different kinds of Preference shares. (any 3)

- **Convertible Preference shares:**
 - * The shares can be converted into equity shares after a time period or as per the conditions laid down in the terms.
- **Non-convertible Preference shares:**
 - * Non-convertible preference shares cannot be, at any time, converted into equity shares.
- **Redeemable Preference shares:**
 - * Such preference shares can be claimed after a fixed period or after giving due notice.

IV. Long Answer Questions:

1. Write the differences between Shares and Debentures. (any 5)

S. No	DEBENTURES	SHARES
1.	Debentures constitute a loan.	Shares are part of the capital of a company.
2.	Middle and Lower Level	Top level
3.	Debenture holder gets fixed rate of Interest which carries a priorities over dividend.	Shareholders gets dividends with a varying rate.
4.	Debentures generally have a charge on the assets of the company.	Shares do not carry any such charge.
5.	Debenture holders do not have any voting right	Shareholders enjoy voting right.

2. What are the various kinds of Debentures? (any 5)

1. On the basis of convertibility, Debentures may be classified into following categories:

(i) Non Convertible Debentures (NCD):

* These instruments retain the debt character and cannot be converted into equity shares.

(ii) Partly Convertible Debentures (PCD):

* A part of these instruments are converted into Equity shares in the future at notice of the issuer.

(iii) Fully convertible Debentures (FCD):

* These are fully convertible into Equity shares at the issuer's notice.

2. On the basis of Security, debentures are classified into:

(A) Secured Debentures:

* These instruments are secured by a charge on the fixed assets of the issuer company.

(B) Unsecured Debentures:

* These instrument are unsecured in the sense that if the issuer defaults on payment of the interest or principal amount, the investor has to be included as unsecured creditors of the company.

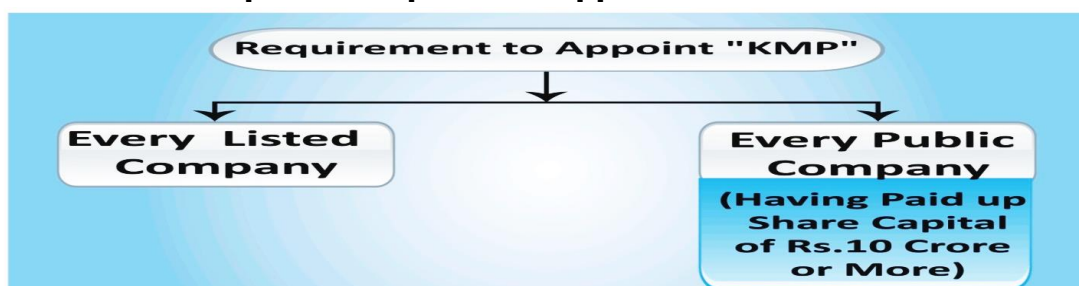
UNIT X COMPANY LAW AND SECRETARIAL PRACTICE CHAPTER 27 COMPANIES MANAGEMENT

I. Choose the Correct Answer:

1. A person shall hold office as a director in _____ companies as per the Companies Act, 2013.
 - (a) 5 companies
 - (b) 10 companies
 - (c) 20 companies**
 - (d) 15 companies
2. A Private Company shall have a minimum of _____.
 - (a) Seven directors
 - (b) Five directors
 - (c) Three directors
 - (d) Two directors**
3. A Public Company having a paid up Share Capital of Rs. _____ or more may have a Director, elected by such small shareholders.
 - (a) One crore
 - (b) Three crores
 - (c) Five crores**
 - (d) Seven crores
4. What is the statue of Directors who regulate money of the company.
 - (a) Banker
 - (b) Holder
 - (c) Agent
 - (d) Trustees**
5. According to Companies Act, the Directors must be appointed by the.
 - (a) Central Government
 - (b) Company Law Tribunal
 - (c) Company in General Meeting**
 - (d) Board of Directors.

II. Very Short Answer Questions:

1. Name the companies required to appoint KMP.



2. Who is whole time Director?

- ♣ A Director is one who devotes whole of his time of working hours to the company and has a significant personal interest in the company as the source of his income.

3. Who is called as Managing Director?

- ♣ A Director is one who is employed by the company and has substantial powers of management over the affairs of the company subject to superintendence, direction and control of the board.

4. Who can be Executive Director?

- ♣ An executive director is a **Chief Executive Officer** (CEO) or Managing Director of an organization, company, or corporation, who is responsible for making decisions to complete the mission and for the success of the organisation.

III. Short Answer Questions:

1. When are alternative directors appointed?

- ♣ Alternate director is appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months.
- ♣ The appointment must be authorised either by the Articles of Association of the company or by a passing a resolution in the General Meeting.
- ♣ The alternative director is not a representative or agent of Original Director.

2. Who is a shadow director?

- ♣ A person who is not the member of Board but has some power to run it can be appointed as the director but according to his/her wish.

3. State the minimum number of Directors for a Private company.

a) Public Company:

- ♣ Every Public company shall have a minimum number of 3 directors and

b) Private company

In case of One Person Company:

- ♣ The requirement of directors is one.

Other Private Companies:

- ♣ The minimum requirement of Directors is two.

IV. Long Answer Questions:

1. Who are the KMP?

The definition of the term Key Managerial Personnel is contained in Section 2(51) of the Companies Act, 2013. This Section states:



2. Brief different types of Directors. (5)

- i. Residential Director**
- ii. Women Director**
- iii. Additional Director**
- iv. Alternate Director**
- v. Shadow Director**

1. Residential Director:

- ♣ According to Section 149(3) of Companies Act 2013, Every company should appoint a director who has stayed in India for a total Period of not less than 182 days in the previous calendar year.

2. Women Director:

- ♣ As per Section 149 (1) (a), there are certain categories according to which there should be at least one woman as a director on the Board.
- ♣ The following class of companies shall appoint at least one woman director
 - (i) Every listed company;
 - (ii) Every other public company having:
 - (a) Paid-up share capital of one hundred crore rupees or more; or
 - (b) Turnover of three hundred crore rupees or more.

3. Additional Directors:

- ♣ Any Individual can be appointed as Additional Directors by a company.

4. Alternate Directors:

- ♣ Alternate director is appointed by the Board of Directors, as a substitute to a director who may be absent from India, for a period which is not less than three months. The appointment must be authorised either by the Articles of Association of the company or by a passing a resolution in the General Meeting. The alternative director is not a representative or agent of Original Director.

5. Shadow Director:

- ♣ A person who is not the member of Board but has some power to run it can be appointed as the director but according to his/her wish.

3. State the qualification of Directors.

- ♣ As regards to the qualification of directors, there is no direct provision in the Companies Act, 2013. In general, a director shall possess appropriate skills, experience and knowledge in one or more fields.
- ♣ According to the different provisions relating to the directors; the following qualifications may be mentioned:
 - i. A director must be a person of sound mind.
 - ii. A director must hold share qualification, if the article of association provides such.
 - iii. A director must be an individual.
 - iv. A director should be a solvent person.
 - vi. A director should not be convicted by the Court for any offence, etc.

UNIT X COMPANY LAW AND SECRETARIAL PRACTICE
CHAPTER 28 COMPANY SECRETARY

I. Choose the Correct Answer:

- 1. Mention the status of a Company Secretary in a company.**

a) A member	b) A director
c) An independent	d) An employee contractor
- 2. Who can become a secretary for a company?**

a) Individual person	b) Partnership firm
c) Co-operative societies	d) Trade unions
- 3. Which meeting will be held only once in the life time of the company?**

a) Statutory	b) Annual General
c) Extra - ordinary	d) Class General
- 4. Who is not entitled to speak at the annual general meeting of the company.**

a) Auditor	b) Shareholder
c) Proxy	d) Directors
- 5. From the date of its incorporation the First Annual General Meeting is to be conducted within _____ months.**

(a) Twelve	(b) Fifteen
(c) Eighteen	(d) Twenty one

II. Very Short Answer Questions:

1. Who is a Secretary?

- ♣ According to Section 2(24) of the Companies Act, 2013 defines "Company Secretary" or "Secretary" means any individual possessing the prescribed qualifications, appointed to perform the duties which may be performed by a secretary under this Act and any other ministerial or administrative duties".

2. What is meant by Meeting?

- ♣ A company meeting must be convened and held in perfect compliance with the various provisions of the Act and the rules framed there under.

3. Write short note on 'Proxy'?

- ♣ Proxy means a person being the representative of a shareholder at the meeting of the company who may be described as his agent to carry out which the shareholder has himself decided upon.
- ♣ Proxy can be present at the meeting and he cannot vote.

4. What is Voting?

- ♣ The word 'Vote' originated in Latin word 'Votum' indicating one's wishes or desire.
- ♣ By casting his vote one formally declaring his opinion or wish in favour of or against a proposal or a candidate to be elected for an office.

III. Short Answer Questions:

1. What is Special Resolution?

- ♣ A special resolution is the one which is passed by a not less than 75% of majority.
- ♣ The number of votes, cast in favour of the resolution should be three times the number of votes cast against it.

2. What do you mean by Statutory Meeting?

- ♣ According to Companies Act, every public company, should hold a meeting of the shareholders within 6 months but not earlier than one month from the date of commencement of business of the company.

3. Give any three cases in which an ordinary resolution need to be passed.

- ♣ To change or rectify the name of the company
- ♣ To declare the dividends
- ♣ To appoint the directors

IV. Long Answer Questions:

1. Briefly state different types of company meetings.

1. Meetings of Shareholders

- (a) Statutory Meeting
- (b) Annual General Meetings (AGM)
- (c) Extraordinary General Meetings (EGM)

2. Meetings of the Directors

- (a) Board meetings
- (b) Committees meetings

3. Special Meetings

- (a) Class Meetings.
- (b) Creditors and of Debenture/bond holders meetings

I. Shareholders Meetings:

- ♣ The meeting held with the shareholders of the company is called shareholders meeting.

a) Statutory Meeting

- ♣ According to Companies Act, every public company, should hold a meeting of the shareholders within 6 months but not earlier than one month from the date of commencement of business of the company.
- ♣ This is the first general meeting of the public company is called the Statutory Meeting.
- ♣ This meeting is conducted only once in the lifetime of the company.
- ♣ A private company or a public company having no share capital need not conduct a statutory meeting.
- ♣ The company gives the circular to shareholders before 21 days of the meeting.

b) Annual General Meeting [AGM]

- ♣ Every year a meeting is held to transact the ordinary business of the company.
- ♣ Such meeting is called Annual General Meeting of the company (AGM).
- ♣ Company is bound to invite the first general meeting within eighteen months from the date of its registration.
- ♣ Then the general meeting will be held once in every year.
- ♣ The differences between two general meetings should not be more than fifteen months.

c) Extra-Ordinary General Meeting

- ♣ Both Statutory meeting and annual general meetings are called as ordinary meetings of a company.
- ♣ All other general meetings other than statutory and annual general meetings are called extraordinary general meetings.
- ♣ If any meeting conducted in between two annual general meeting to deal with some urgent or special or extraordinary nature of business is called as extra-ordinary general meetings.

II. Meeting of the Directors

a) Board Meetings

- ♣ Meetings of directors are called Board Meetings.
- ♣ Meetings of the directors provide a platform to discuss the business and take formal decisions.
- ♣ First meeting of directors should be convened within 30 (Thirty) days from the date of incorporation of the company.

b) Committee Meetings

- ♣ Every listed company and every other public company having paid up share capital of ₹10 crore is required to have audit committee.
- ♣ This committee should meet at least four times in a year.

2. Explain different types of open and secret types of voting.

I. Open Procedure

(a) By Voice:

- ♣ The chairman allows the members to raise their voice in favour or against an issue 'Yes' for approval and 'No' for rejection.
- ♣ Chairman announces the result of voice voting on the basis of strength of words shouted.
- ♣ It is an unscientific method.
- ♣ It cannot be employed for deciding complex issue.

(b) By Show of Hands:

- ♣ Under this method the chairman, requests the members to raise their hands of those who are in favour of the proposal or candidate and then requests those are against.
- ♣ Then the chairman counts the number of hands raised for 'Yes' and 'No' respectively can announce the result on the basis of hands counted.

II. Secret Procedure

a) By Ballot

- ♣ Under this system, ballot paper bearing serial number is given to the members to record their opinion by marking with the symbol or Shareholders have to cast their vote in a secret chamber and put the ballot paper into the ballot box.
- ♣ The votes are counted and the results are announced.

b) Postal Ballot

- ♣ Under this method serially numbered ballot papers are sent by post in sealed covers to the members, who, living at a distant place, are unable to attend the meeting physically.
- ♣ The members or voters fill in the ballot papers and return them in sealed covers which are opened when the ballot box is opened for counting the votes.

12th ACCOUNTANCY

UNIT: 1 ACCOUNTS FROM INCOMPLETE RECORDS

I Multiple choice questions

Choose the correct answer

1. Incomplete records are generally maintained by

- (a) A company (b) Government
(c) **Small sized sole trader business** (d) Multinational enterprises

2. Statement of affairs is a

- (a) Statement of income and expenditure
(b) **Statement of assets and liabilities**
(c) Summary of cash transactions
(d) Summary of credit transactions

3. Opening statement of affairs is usually prepared to find out the

- (a) **Capital in the beginning of the year**
(b) Capital at the end of the year
(c) Profit made during the year
(d) Loss occurred during the year

4. The excess of assets over liabilities is

- (a) Loss (b) Cash (c) **Capital** (d) Profit

5. Which of the following items relating to bills payable is transferred to total creditors account?

- (a) Opening balance of bills payable
(b) Closing balance of bills payable
(c) **Bills payable accepted during the year**
(d) Cash paid for bills payable

6. The amount of credit sales can be computed from

- (a) **Total debtors account** (b) Total creditors account
(c) Bills receivable account (d) Bills payable account

7. Which one of the following statements is not true in relation to incomplete records?

- (a) It is an unscientific method of recording transactions
(b) Records are maintained only for cash and personal accounts
(c) **It is suitable for all types of organisations**
(d) Tax authorities do not accept

8. What is the amount of capital of the proprietor, if his assets are ₹85,000 and liabilities are ₹21,000?

- (a) ₹85,000 (b) ₹1,06,000 (c) ₹21,000 (d) **₹64,000**

9. When capital in the beginning is ₹10,000, drawings during the year is ₹6,000, profit made during the year is ₹2,000 and the additional capital introduced is ₹3,000, find out the amount of capital at the end.

- (a) **₹9,000** (b) ₹11,000 (c) ₹21,000 (d) ₹3,000

10. Opening balance of debtors: ₹30,000, cash received: ₹1,00,000, credit sales: ₹90,000; closing balance of debtors is

- (a) ₹30,000 (b) ₹1,30,000 (c) ₹40,000 (d) **₹20,000**

Answers

1. (c)	2. (b)	3. (a)	4. (c)	5. (c)	6. (a)	7.(c)	8. (d)	9. (a)	10.(d)
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II Very short answer questions:**1. What is meant by incomplete records?**

- When accounting records are not strictly maintained according to double entry system, these records are called incomplete accounting records.

2. State the accounts generally maintained by small sized sole trader when double entry accounting system is not followed.

- Cash account, Personal accounts

3. What is a statement of affairs?

- A statement of affairs is a statement showing the balances of assets and liabilities on a particular date.

$$\text{Capital} = \text{Assets} - \text{Liabilities}$$

III Short answer questions**1. What are the features of incomplete records?****(i) Nature:**

- It is an unscientific and unsystematic way of recording transactions.

(ii) Type of accounts maintained:

- In general, only cash and personal accounts are maintained fully.

(iii) Lack of uniformity:

- There is no uniformity in recording the transactions among different organisations.

(iv) Financial statements may not represent true and fair view:

- Due to the incomplete information and inaccurate records of accounts, the profit or loss calculated from these records cannot be relied upon.

(v) Suitability:

- Only the business concerns which have no legal obligation to maintain books of accounts under double entry system may maintain incomplete records.

2. What are the limitations of incomplete records?**(i) Lack of proper maintenance of records:**

- It is an unscientific and unsystematic way of maintaining records.
- Real and nominal accounts are not maintained properly.

(ii) Difficulty in preparing trial balance:

- As accounts are not maintained for all items, the accounting records are incomplete.

(iii) Difficulty in ascertaining true profitability of the business:

- Profit is found out based on available information and estimates.

(iv) Difficulty in ascertaining financial position:

- In general, only the estimated values of assets and liabilities are available from incomplete records.

(v) Errors and frauds cannot be detected easily:

- As only partial records are available, it may not be possible to have internal checks in maintaining accounts to detect errors and frauds.

3. State the differences between double entry system and incomplete records.

Basis of distinction	Double entry system	Incomplete records
1. Recording of transactions	Both debit and credit aspects of all the transactions are recorded.	Debit and credit aspects of all the transactions are not recorded completely. For some transactions both aspects are entered, some transactions are partially recorded and some transactions are omitted to be entered.
2. Type of accounts maintained	Personal, real and nominal accounts are maintained fully.	In general, only personal and cash accounts are maintained fully. Real and nominal accounts are not maintained fully.
3. Preparation of trial balance	Trial balance can be prepared to check the arithmetical accuracy of the entries made in the books of accounts.	It is difficult to prepare the trial balance to check arithmetic accuracy of entries made in the books of accounts as the accounts are incomplete.
4. Determination of true profit or loss	Trading and profit and loss account can be prepared to find out the true profit or loss.	Trading and profit and loss account cannot be prepared with accuracy as complete information is not available and hence profit or loss found out may not be accurate.
5. Determination of financial position	Balance sheet can be prepared to know the true financial position.	Balance sheet cannot be prepared with accuracy and true financial position cannot be ascertained, as the assets and liabilities are just estimates and incomplete.
6. Suitability	It is suitable for all types of organisations.	It may be suitable for small sized sole traders and partnership firms.

7. Reliability	It is reliable since it is a scientific system of accounting and is based on certain accounting principles.	It is not reliable since it is unscientific.
8. Acceptability	Accounting records are acceptable to all users including tax authorities and financial institutions.	Accounting records may not be acceptable to all users.

4. State the procedure for calculating profit or loss through statement of affairs.

1. Ascertain the opening capital by preparing a statement of affairs at the beginning of the year by taking the opening balances of assets and liabilities.
2. Ascertain the closing capital by preparing a statement of affairs at the end of the accounting period after making all adjustments such as depreciation, bad debts, outstanding and prepaid expenses, outstanding income, interest on capital, interest on drawings, etc.
3. Add the amount of drawings (both in cash and/in kind) to the closing capital.
4. Deduct the amount of additional capital introduced, to get adjusted closing capital.
5. Ascertain profit or loss by subtracting opening capital from the adjusted closing capital.
 - (a) If adjusted closing capital is more than the opening capital, it denotes profit
 - (b) If adjusted closing capital is lesser than the opening capital, it denotes loss

5. Differentiate between statement of affairs and balance sheet.

Basis of distinction	Statement of affairs	Balance sheet
1. Objective	Statement of affairs is generally prepared to find out the capital of the business.	Balance sheet is prepared to ascertain the financial position of the business.
2. Accounting system	Statement of affairs is prepared when double entry system is not strictly followed.	Balance sheet is prepared when accounts are maintained under double entry system.
3. Basis of preparation	It is not fully based on ledger balances. Wherever possible ledger balances are taken. Some items are taken from some source documents and some items are mere estimates.	It is prepared exclusively on the basis of ledger balances.

4. Reliability	It is not reliable as it is based on incomplete records.	It is reliable as it is prepared under double entry system.
5. Missing items	It is difficult to trace the items omitted as complete records are not maintained.	Since both the aspects of all transactions are duly recorded, items omitted can be traced easily.

6. How is the amount of credit sale ascertained from incomplete records?

(i) Format of total debtors account

Dr.	Total debtors account		Cr.
Particulars		Particulars	
To Balance b/d (opening balance)	XXX	By Cash A/c (received)	XXX
To Sales A/c (credit sales)	XXX	By Bank A/c (cheques received)	XXX
To Bank A/c (cheque dishonoured)	XXX	By Discount allowed A/c	XXX
To Bills receivable A/c (bills dishonoured)	XXX	By Sales returns A/c	XXX
		By Bad debts A/c	XXX
		By Bills receivable A/c (bills received)	XXX
		By Balance c/d (closing balance)	XXX
	Xxx		XXX

UNIT: 2 ACCOUNTS OF NOT FOR PROFIT ORGANISATION

I Multiple choice questions

Choose the correct answer

1. Receipts and payments account is a

- (a) Nominal A/c
- (b) Real A/c**
- (c) Personal A/c
- (d) Representative personal account

2. Receipts and payments account records receipts and payments of

- (a) Revenue nature only
- (b) Capital nature only
- (c) Both revenue and capital nature**
- (d) None of the above

3. Balance of receipts and payments account indicates the

- (a) Loss incurred during the period
- (b) Excess of income over expenditure of the period
- (c) Total cash payments during the period
- (d) Cash and bank balance as on the date**

4. Income and expenditure account is a

- (a) Nominal A/c (b) Real A/c
(c) Personal A/c (d) Representative personal account

5. Income and Expenditure Account is prepared to find out

- (a) Profit or loss (b) Cash and bank balance
(c) Surplus or deficit (d) Financial position

6. Which of the following should not be recorded in the income and expenditure account?

- (a) Sale of old news papers (b) Loss on sale of asset
(c) Honorarium paid to the secretary (d) Sale proceeds of furniture

7. Subscription due but not received for the current year is

- (a) An asset (b) A liability
(c) An expense (d) An item to be ignored

8. Legacy is a

- (a) Revenue expenditure (b) Capital expenditure
(c) Revenue receipt (d) Capital receipt

9. Donations received for a specific purpose is

- (a) Revenue receipt (b) Capital receipt
(c) Revenue expenditure (d) Capital expenditure

10. There are 500 members in a club each paying ₹100 as annual subscription. Subscription due but not received for the current year is ₹ 200; Subscription received in advance is ₹ 300. Find out the amount of subscription to be shown in the income and expenditure account.

- (a) ₹ 50,000 (b) ₹ 50,200 (c) ₹ 49,900 (d) ₹ 49,800

Answers

1. (b)	2. (c)	3. (d)	4. (a)	5. (c)	6. (d)	7. (a)	8. (d)	9. (b)	10. (a)
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II Very short answer questions:**1. State the meaning of not-for-profit organisation.**

- Some organisations are established for the purpose of rendering services to the public without any profit motive.
- They may be created for the promotion of art, culture, education and sports, etc.
- These organisations are called not-for-profit organisation.

2. What is receipts and payments account?

- Receipts and Payments account is a summary of cash and bank transactions of not-for-profit organisations prepared at the end of each financial year.
- It is a real account in nature.

3. What is legacy?

- A gift made to a not-for-profit organization by a will, is called legacy. It is a capital receipt.
- It is a capital receipt.

4. Write a short note on life membership fees.

- Life membership fee Amount received towards life membership fee from members is a capital receipt.
- It is non – recurring in nature.

5. Give four examples for capital receipts of not-for-profit organisation.

1. Legacies
2. Donation
3. Tournament fund
4. Price fund

6. Give four examples for revenue receipts of not-for-profit organisation.

1. Interest on investment
2. Interest on fixed deposit
3. Sale of old sports materials
4. Sale of old news papers

III. Short Answer Questions**1. What is income and expenditure account?**

- Income and expenditure account is a summary of income and expenditure of a not-for-profit organisation prepared at the end of an accounting year.
- It is prepared to find out the surplus or deficit pertaining to a particular year.
- It is a nominal account in nature.

2. State the differences between Receipts and Payments Account and Income and Expenditure Account.

Basis	Receipts and Payments Account	Income and Expenditure Account
1. Purpose	It is prepared to know the cash receipts and cash payments.	It is prepared to know whether there is an excess of income over expenditure (surplus) or an excess of expenditure over income (deficit) during the current period.
2. Nature of account	It is a real account. It is a summary of cash account. Cash receipts are recorded on the debit side and cash payments are recorded on the credit side.	It is a nominal account. It is similar to profit and loss account. Expenses are recorded on the debit side and incomes are recorded on the credit side.
3. Basis of accounting	It is based on cash system of accounting. Non-cash items are not recorded.	It is based on accrual system of accounting. Non-cash items like outstanding expenses, depreciation, etc. are also recorded.
4. Opening and closing balance	It commences with an opening balance of cash and bank and ends with closing balance of cash and bank.	There is no opening balance. It ends with surplus or deficit.

5. Nature of items	It contains actual receipts and payments irrespective of revenue or capital items in nature.	It contains only revenue items, that is, only revenue expenses and revenue incomes.
6. Period	All cash receipts and payments made during the year pertaining to the past period, current period and subsequent period are recorded.	It contains only the items relating to the current period.

3. How annual subscription is dealt with in the final accounts of not-for-profit organisation?

(A) Treatment in income and expenditure account:

⌘ When subscription received for the current year, previous years and subsequent period are given separately, subscription received for the current year will be shown on the credit side of income and expenditure account.

(B) Treatment in Balance sheet:

⌘ Subscription outstanding for the current year and still outstanding for the previous year will be shown on the asset side of the Balance sheet.
 ⌘ Subscriptions received in advance in the current year will be shown on the liabilities side of the Balance sheet.

4. How the following items are dealt with in the final accounts of not-for-profit organisation?

1. Sale of sports materials 2. Life membership fees 3. Tournament fund

1. Sale of sports materials:

- The sale proceeds of old sports materials like balls and bats, etc., are revenue receipts.
- If there is any sale of old sports materials, etc., that will be shown on the credit side of income and expenditure account or can be subtracted from the respective items consumed on the debit side of income and expenditure account.

2. Life membership fees:

- Amount received like membership fee from members is a capital receipt as it is non – recurring in nature.

3. Tournament fund:

- If there are any specific funds such as tournament fund, prize fund, etc., these funds should be shown on the liabilities side of the balance sheet separately.
- Any income to the fund should be added to the fund account and expenses relating to the fund should be subtracted from the fund account in the balance sheet.

UNIT: 3 ACCOUNTS OF PARTNERSHIP FIRMS FUNDAMENTALS

I Multiple choice questions

Choose the correct answer

1. In the absence of a partnership deed, profits of the firm will be shared by the partners in
 - (a) Equal ratio
 - (b) Capital ratio
 - (c) Both (a) and (b)
 - (d) None of these
2. In the absence of an agreement among the partners, interest on capital is
 - (a) Not allowed
 - (b) Allowed at bank rate
 - (c) Allowed @ 5% per annum
 - (d) Allowed @ 6% per annum
3. As per the Indian Partnership Act, 1932, the rate of interest allowed on loans advanced by partners is
 - (a) 8% per annum
 - (b) 12% per annum
 - (c) 5% per annum
 - (d) 6% per annum**
4. Which of the following is shown in Profit and loss appropriation account?
 - (a) Office expenses
 - (b) Salary of staff
 - (c) Partners' salary**
 - (d) Interest on bank loan
5. When fixed capital method is adopted by a partnership firm, which of the following items will appear in capital account?
 - (a) Additional capital introduced**
 - (b) Interest on capital
 - (c) Interest on drawings
 - (d) Share of profit
6. When a partner withdraws regularly a fixed sum of money at the middle of every month, period for which interest is to be calculated on the drawings on an average is
 - (a) 5.5 months
 - (b) 6 months**
 - (c) 12 months
 - (d) 6.5 months
7. Which of the following is the incorrect pair?
 - (a) Interest on drawings – Debited to capital account
 - (b) Interest on capital – Credited to capital account
 - (c) Interest on loan – Debited to capital account**
 - (d) Share of profit – Credited to capital account
8. In the absence of an agreement, partners are entitled to
 - (a) Salary
 - (b) Commission
 - (c) Interest on loan**
 - (d) Interest on capital
9. Pick the odd one out
 - (a) Partners share profits and losses equally
 - (b) Interest on partners' capital is allowed at 7% per annum**
 - (c) No salary or remuneration is allowed to partners
 - (d) Interest on loan from partners is allowed at 6% per annum.
10. Profit after interest on drawings, interest on capital and remuneration is ₹ 10,500. Geetha, a partner, is entitled to receive commission @ 5% on profits after charging such commission. Find out commission.
 - (a) ₹ 50
 - (b) ₹ 150
 - (c) ₹ 550
 - (d) ₹ 500**

Answers

1 (a)	2(a)	3(d)	4(c)	5 (a)	6(b)	7(c)	8(c)	9(b)	10(d)
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II. Very short answer questions

1. Define partnership.

- ❖ According to Section 4 of the Indian Partnership Act, 1932, partnership is defined as, "the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.

2. What is a partnership deed?

- ❖ Partnership deed is a document in writing that contains the terms of the agreement among the partners.
- ❖ It is not compulsory for a partnership to have a partnership deed as per the Indian Partnership Act, 1932.

3. What is meant by fixed capital method?

- ❖ Under fixed capital method, the capital of the partners is not altered and it remains generally fixed. Two accounts are maintained for each partner namely:
 - Capital account and
 - Current account

4. What is the journal entry to be passed for providing interest on capital to a partner?

(a) For providing interest on capital

Date	Particulars	L.F.	Debit	Credit
	Interest on capital A/c Dr.		xxx	
	To Partner's capital / current A/c			xxx

(b) For closing interest on capital account

Date	Particulars	L.F.	Debit	Credit
	Profit and Loss appropriation A/c Dr.		xxx	
	To Interest on capital A/c			xxx

5. Why is Profit and loss appropriation account prepared?

- ❖ The profit and loss appropriation account is an extension of profit and loss account prepared for the purpose of adjusting the transactions relating to amounts due to and amounts due from partners.
- ❖ It is nominal account in nature.

III. Short answer questions

1. State the features of partnership. Answer:

- Partnership is an association of two or more persons. The maximum number of partners is limited to 50.
- There should be an agreement among the persons to share the profit or loss of the business. The agreement may be oral or written or implied.
- The agreement must be to carry on a business and to share the profits of the business.
- The business may be carried on by all the partners or any of them acting for all.

2. State any six contents of a partnership deed.

The contents of partnership deed are:

1. The name of the firm and nature and place of business.
2. Date of commencement and duration of business.
3. Names and address of all partners.
4. Capital contributed by each partner.
5. Profit sharing ratio.
6. Amount of drawings allowed to each partner.

3. State the differences between fixed capital method and fluctuating capital method.

Basis of distinction	Fixed capital method	Fluctuating capital method
1. Number of accounts	Two accounts are maintained for each partner, that is, capital account and current account.	Only one account, that is, capital account is maintained for each partner.
2. Change in capital	The amount of capital normally remains unchanged except when additional capital is introduced or capital is withdrawn permanently.	The amount of capital changes from period to period.
3. Closing balance	Capital account always shows a credit balance. But, current account may show either debit or credit balance.	Capital account generally shows credit balance. It may also show a debit balance.
4. Adjustments	All adjustments relating to interest on capital, interest on drawings, salary or commission, share of profit or loss are done in current account.	All adjustments relating to interest on capital, interest on drawings, salary or commission, share of profit or loss are done in the capital account.

4. Write a brief note on the applications of the provisions of the Indian Partnership Act, 1932 in the absence of partnership deed.

1. **Remuneration to partners:** No salary or remuneration is allowed to any partner. [Section 13(a)]
2. **Profit sharing ratio:** Profit and losses are to be shared by the partners equally. [Section 13(b)]
3. **Interest on capital:** No interest is allowed on the capital. When a partner is entitled to interest on capital contributed as per partnership deed, such interest on capital will be payable only out of profits [Section 13(c)]
4. **Interest on loans advanced by partners to the firm:** Interest on loan is to be allowed at the rate of 6 percent per annum. [Section 13(d)]
5. **Interest on drawings:** No interest is charged on the drawings of the partners.

5. Jayaraman is a partner who withdrew ₹ 10,000 regularly in the middle of every month. Interest is charged on the drawings at 6% per annum. Calculate interest on drawings for the year ended 31st December, 2018.

Jayaraman : Interest on drawings = $10,000 \times 12/24 \times 6/100 \times 12 = ₹ 3,600$

UNIT: 4 GOODWILL IN PARTNERSHIP ACCOUNTS

I Multiple choice questions

Choose the correct answer

1. Which of the following statements is true?

- (a) Goodwill is an intangible asset (b) Goodwill is a current asset
(c) Goodwill is a fictitious asset (d) Goodwill cannot be acquired

2. Super profit is the difference between

- (a) Capital employed and average profit
(b) Assets and liabilities
(c) Average profit and normal profit
(d) Current year's profit and average profit

3. The average rate of return of similar concerns is considered as

- (a) Average profit (b) Normal rate of return
(c) Expected rate of return (d) None of these

4. Which of the following is true?

- (a) Super profit = Total profit / number of years
(b) Super profit = Weighted profit / number of years
(c) Super profit = Average profit - Normal profit
(d) Super profit = Average profit × Years of purchase

5. Identify the incorrect pair

- (a) Goodwill under Average profit method - Average profit × Number of years of purchase
(b) Goodwill under Super profit method - Super profit × Number of years of purchase
(c) Goodwill under Annuity method - Average profit × Present value annuity factor
(d) Goodwill under Weighted average - Weighted average profit × Number of years of profit method purchase

6. When the average profit is ₹ 25,000 and the normal profit is ₹ 15,000, super profit is

- (a) ₹ 25,000 (b) ₹ 5,000 (c) ₹ 10,000 (d) ₹ 15,000

7. Book profit of 2017 is ₹ 35,000; non-recurring income included in the profit is ₹ 1,000 and abnormal loss charged in the year 2017 was ₹ 2,000, then the adjusted profit is

- (a) ₹ 36,000 (b) ₹ 35,000 (c) ₹ 38,000 (d) ₹ 34,000

8. The total capitalised value of a business is ₹ 1,00,000; assets are ₹ 1,50,000 and liabilities are ₹ 80,000. The value of goodwill as per the capitalisation method will be

- (a) ₹ 40,000 (b) ₹ 70,000 (c) ₹ 1,00,000 (d) ₹ 30,000

Answers

1 (a)	2(c)	3(b)	4(c)	5 (c)	6(c)	7(a)	8(d)
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II. Very Short Answer Questions

1. What is goodwill?

- ❖ Goodwill is the good name or reputation of the business which brings benefit to the business.

2. What is acquired goodwill?

- ❖ Goodwill acquired by making payment in cash or kind is called acquired or purchased goodwill.

3. What is super profit?

- ❖ Under these methods, super profit is the base for calculation of the value of goodwill. Super profit is the excess of average profit over the normal profit of a business.

$$\text{Super profit} = \text{Average profit} - \text{Normal profit}$$

4. What is normal rate of return?

- ❖ It is the rate at which profit is earned by similar business entities in the industry under normal circumstances.

5. State any two circumstances under which goodwill of a partnership firm is valued?

1. When there is a change in the profit sharing ratio.
2. When a new partner is admitted into a firm.
3. When an existing partner retires from the firm or when a partner dies.
4. When a partnership firm is dissolved.

III. Short Answer

1. State any six factors determining goodwill.

- (i) Profitability of the firm
- (ii) Favourable location of the business enterprise
- (iii) Good quality of goods or services offered
- (iv) Tenure of the business enterprise
- (v) Efficiency of management
- (vi) Degree of competition

2. How is goodwill calculated under the super profits method?

- ❖ Under these methods, super profit is the base for calculation of the value of goodwill. Super profit is the excess of average profit over the normal profit of a business.

$$\text{Super profit} = \text{Average profit} - \text{Normal profit}$$

- ❖ Average profit is calculated by dividing the total of adjusted actual profits of certain number of years by the total number of such years.

- ❖ Normal profit is the profit earned by the similar business firms under normal conditions.

$$\text{Normal profit} = \text{Capital employed} \times \text{Normal rate of return}$$

$$\text{Capital employed} = \text{Fixed assets} + \text{Current assets} - \text{Current liabilities}$$

- ❖ Normal rate of return = It is the rate at which profit is earned by similar business entities in the industry under normal circumstances.

3. Capitalisation of super profit method:

- ❖ Under this method, goodwill is the excess of capitalised value of average profit of the business over the actual capital employed in the business.

Goodwill = Total capitalised value of the business – Actual capital employed

- ❖ The total capitalised value of the business is calculated by capitalising the average profits on the basis of the normal rate of return.

Capitalised value of the business = $\frac{\text{Average Profit}}{\text{Normal rate of return}} \times 100$

Actual capital employed = Fixed assets (excluding goodwill) + Current assets – Current liabilities

4. How is the value of goodwill calculated under the capitalisation method?

2016: ₹ 8,000; 2017: ₹ 10,000; 2018: ₹ 9,000

Solution:

Average profit = $\frac{\text{Total Profit}}{\text{Number of years}}$

Average profit = $\frac{8,000+10,000+9,000}{3}$

Average profit = ₹ 9,000

5. Calculate the value of goodwill at 2 years purchase of average profit when average profit is ₹ 15,000.**Solution:**

Goodwill = Average profit x Number of years of purchase
= 15,000 x 2

Goodwill = ₹ 30,000

UNIT: 5 ADMISSION OF A PARTNER**I Multiple Choice questions**

Choose the correct answer

1. Revaluation A/c is a

- (a) Real A/c (b) Nominal A/c
(c) Personal A/c (d) Impersonal A/c

2. On revaluation, the increase in the value of assets leads to

- (a) Gain (b) Loss (c) Expense (d) None of these

3. The profit or loss on revaluation of assets and liabilities is transferred to the capital account of

- (a) The old partners (b) The new partner
(c) All the partners (d) The Sacrificing partners

4. If the old profit sharing ratio is more than the new profit sharing ratio of a partner, the difference is called

- (a) Capital ratio (b) Sacrificing ratio
(c) Gaining ratio (d) None of these

5. At the time of admission, the goodwill brought by the new partner may be credited to the capital accounts of

- (a) all the partners (b) the old partners
(c) the new partner (d) the sacrificing partners

6. Which of the following statements is not true in relation to admission of a partner

- (a) Generally mutual rights of the partners change
- (b) The profits and losses of the previous years are distributed to the old partners
- (c) The firm is reconstituted under a new agreement
- (d) The existing agreement does not come to an end**

7. Match List I with List II and select the correct answer using the codes given below:

List I

- (i) Sacrificing ratio
- (ii) Old profit sharing ratio
- (iii) Revaluation Account
- (iv) Capital Account

List II

- 1. Investment fluctuation fund
- 2. Accumulated profit
- 3. Goodwill
- 4. Unrecorded liability

Codes:

	(i)	(ii)	(iii)	(iv)	
(a)	1	2	3	4	
(b)		3	2	4	1
(c)	4	3	2	1	
(d)	3	1	2	4	

8. Select the odd one out

- (a) Revaluation profit
- (b) Accumulated loss
- (c) Goodwill brought by new partner**
- (d) Investment fluctuation fund

9. James and Kamal are sharing profits and losses in the ratio of 5:3. They admit Sunil as a partner giving him 1/5 share of profits. Find out the sacrificing ratio.

- (a) 1:3
- (b) 3:1
- (c) 5:3**
- (d) 3:5

10. Balaji and Kamal are partners sharing profits and losses in the ratio of 2:1. They admit Yogesh into partnership. The new profit sharing ratio between Balaji, Kamal and Yogesh is agreed to 3:1:1. Find the sacrificing ratio between Balaji and Kamal.

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

Answer

1. (b)	2. (a)	3. (a)	4. (b)	5. (d)	6. (d)	7. (b)	8. (c)	9. (c)	10. (d)
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II Very short answer questions:

1. What is meant by revaluation of assets and liabilities?

- When a partner is admitted into the partnership, the assets and liabilities are revalued as the current value may differ from the book value.
- Determination of current values of assets and liabilities is called revaluation of assets and liabilities.

2. How are accumulated profits and losses distributed among the partners at the time of admission of a new partner?

- Profits and losses of previous years which are not distributed to the partners are called accumulated profits and losses.
- Any reserve and accumulated profits and losses belong to the old partners and hence these should be distributed to the old partners in the old profit sharing ratio.

3. What is sacrificing ratio?

- Sacrificing ratio is the proportion of the profit which is sacrificed or foregone by the old partners in favour of the new partner.
- The purpose of finding the sacrificing ratio is to share the goodwill brought in by the new partner.

$$\text{Share sacrificed} = \text{Old share} - \text{New share}$$

$$\text{Sacrificing ratio} = \text{Ratio of share sacrificed by the old partners}$$

4. Give the journal entry for writing off existing goodwill at the time of admission of a new partner.

Date	Particulars	L.F.	Debit	Credit
	Old partner's capital / current A/c Dr (in old ratio)		xxx	
	To Goodwill A/c (Existing goodwill written off)			xxx

5. State whether the following will be debited or credited in the revaluation account.

- (a) Depreciation on assets – **Debited**
- (b) Unrecorded liability – **Debited**
- (c) Provision for outstanding expenses – **Debited**
- (d) Appreciation of assets – **Credited**

III Short answer questions:

1. What are the adjustments required at the time of admission of a partner?

1. Distribution of accumulated profits, reserves and losses
2. Revaluation of assets and liabilities
3. Determination of new profit-sharing ratio and sacrificing ratio
4. Adjustment for goodwill
5. Adjustment of capital on the basis of new profit sharing ratio (if so agreed)

2. What are the journal entries to be passed on revaluation of assets and liabilities?

Date	Particulars	L.F.	Debit	Credit
	1. For increase in the value of asset			
	Concerned asset A/c Dr.		xxx	
	To Revaluation A/c			Xxx
	2. For decrease in the value of asset			
	Revaluation A/c Dr.		xxx	
	To Concerned asset A/c			Xxx
	3. For increase in the amount of liabilities			
	Revaluation A/c Dr.		xxx	
	To Concerned liability A/c			Xxx
	4. For decrease in the amount of liability			
	Concerned liability A/c Dr.		xxx	
	To Revaluation A/c			Xxx

5. For recording an unrecorded asset				
Concerned asset A/c Dr.			xxx	
To Revaluation A/c				Xxx
6. For recording an unrecorded liability				
Revaluation A/c Dr.			xxx	
To Concerned liability A/c				xxx
7. For transferring the balance in revaluation A/c				
(a) If there is profit on revaluation				
Revaluation A/c Dr.			xxx	
To Old partners' capital A/c (individually in old ratio)				Xxx
(b) If there is loss on revaluation				
Old partners' capital A/c Dr. (individually in old ratio)			xxx	
To Revaluation A/c				xxx

3. Write a short note on accounting treatment of goodwill.

1. When new partner brings cash towards goodwill
2. When the new partner does not bring goodwill in cash or in kind
3. When the new partner brings only a part of the goodwill in cash or in kind
4. Existing goodwill

1. When new partner brings cash towards goodwill

- When the new partner brings cash towards goodwill in addition to the amount of capital, it is distributed to the existing partners in the sacrificing ratio.

(i) For the goodwill brought in cash credited to old partners' capital account

Date	Particulars	L.F.	Debit	Credit
	Cash / Bank A/c Dr.		xxx	
	To Old partners' capital / current A/c (in sacrificing ratio)			xxx

(ii) For the goodwill brought in kind (in the form of assets) credited to old partner's capital account.

Date	Particulars	L.F.	Debit	Credit
	Respective Assets A/c Dr.		xxx	
	To Old partners' capital / current A/c (in sacrificing ratio)			xxx

(iii) For withdrawal of cash received for goodwill by the old partners.

Date	Particulars	L.F.	Debit	Credit
	Old partners' capital / current A/c Dr.		xxx	
	To Cash / Bank A/c			xxx

UNIT: 6 RETIREMENT AND DEATH OF PARTNER**I Multiple choice questions****Choose the correct answer**

- 1. A partner retires from the partnership firm on 30th June. He is liable for all the acts of the firm up to the**
 - (a) End of the current accounting period
 - (b) End of the previous accounting period
 - (c) Date of his retirement**
 - (d) Date of his final settlement
- 2. On retirement of a partner from a partnership firm, accumulated profits and losses are distributed to the partners in the**
 - (a) New profit sharing ratio
 - (b) Old profit sharing ratio**
 - (c) Gaining ratio
 - (d) Sacrificing ratio
- 3. On retirement of a partner, general reserve is transferred to the**
 - (a) Capital account of all the partners**
 - (b) Revaluation account
 - (c) Capital account of the continuing partners
 - (d) Memorandum revaluation account
- 4. On revaluation, the increase in liabilities leads to**
 - (a) Gain
 - (b) Loss**
 - (c) Profit
 - (d) None of these
- 5. At the time of retirement of a partner, determination of gaining ratio is required**
 - (a) To transfer revaluation profit or loss
 - (b) To distribute accumulated profits and losses
 - (c) To adjust goodwill**
 - (d) None of these
- 6. If the final amount due to a retiring partner is not paid immediately, it is transferred to**
 - (a) Bank A/c
 - (b) Retiring partner's capital A/c
 - (c) Retiring partner's loan A/c**
 - (d) Other partners' capital A/c
- 7. 'A' was a partner in a partnership firm. He died on 31st March 2019. The final amount due to him is ₹ 25,000 which is not paid immediately. It will be transferred to**
 - (a) A's capital account
 - (b) A's current account
 - (c) A's Executor account
 - (d) A's Executor loan account**
- 8. A, B and C are partners sharing profits in the ratio of 2:2:1. On retirement of B, goodwill of the firm was valued as ₹ 30,000. Find the contribution of A and C to compensate B:**
 - (a) ₹ 20,000 and ₹ 10,000
 - (b) ₹ 8,000 and ₹ 4,000**
 - (c) ₹ 10,000 and ₹ 20,000
 - (d) ₹ 15,000 and ₹ 15,000
- 9. A, B and C are partners sharing profits in the ratio of 4:2:3. C retires. The new profit sharing ratio between A and B will be**
 - (a) 4:3
 - (b) 3:4
 - (c) 2:1**
 - (d) 1:2
- 10. X, Y and Z were partners sharing profits and losses equally. X died on 1st April 2019. Find out the share of X in the profit of 2019 based on the profit of 2018 which showed ₹ 36,000.**
 - (a) ₹ 1,000
 - (b) ₹ 3,000**
 - (c) ₹ 12,000
 - (d) ₹ 36,000

Answers

1 (c)	2(b)	3(a)	4(b)	5 (c)	6(c)	7(d)	8(b)	9(c)	10 (b)
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II. Very short answer questions

1. What is meant by retirement of a partner?

- ✓ When a partner leaves from a partnership firm, it is known as retirement.
- ✓ The reasons for the retirement of a partner may be illness, old age, better opportunity elsewhere, disagreement with other partners, etc.

2. What is gaining ratio?

- ✓ Gaining ratio is the proportion of the profit which is gained by the continuing partners.

$$\text{Share gained} = \text{New share} - \text{Old share}$$

Gaining ratio = Ratio of share gained by the continuing partners

3. What is the purpose of calculating gaining ratio?

- ✓ The purpose of finding the gaining ratio to bear the goodwill, to be paid to the retiring partners.

4. What is the journal entry to be passed to transfer the amount due to the deceased partner to the executor of the deceased partner?

Date	Particulars	L.F.	Debit	Credit
	Deceased partner's capital A/c Dr.		xxx	
	To Deceased partner's executor A/c (amount transferred to executor account)			xxx

III Short answer questions

1. List out the adjustments made at the time of retirement of a partner in a partnership firm.

- (1) Distribution of accumulated profits, reserves and losses
- (2) Revaluation of assets and liabilities
- (3) Determination of new profit sharing ratio and gaining ratio
- (4) Adjustment for goodwill
- (5) Adjustment for current year's profit or loss upto the date of retirement
- (6) Settlement of the amount due to the retiring partner

2. Distinguish between sacrificing ratio and gaining ratio.

Basis	Sacrificing ratio	Gaining ratio
1. Meaning	It is the proportion of the profit which is sacrificed by the old partners in favour of a new partner.	It is the proportion of the profit which is gained by the continuing partners from the retiring partner.
2. Purpose	It is calculated to determine the amount to be adjusted towards goodwill for the sacrificing partners.	It is calculated to determine the amount to be adjusted towards goodwill for the gaining partners.
3. Time of calculation	It is calculated at the time of admission of a new partner.	It is calculated at the time of retirement of a partner.
4. Method of calculation	It is the difference between the old ratio and the new ratio Sacrificing ratio = Old profit sharing ratio - New profit sharing ratio	It is the difference between the new ratio and the old ratio. Gaining ratio = New profit sharing ratio - Old profit sharing ratio

7. When shares are issued for purchase of assets, the amount should be credited to

- (a) Vendor's A/c (b) Sundry assets A/c
(c) Share capital A/c (d) Bank A/c

8. Match the pair and identify the correct option

- (1) Under subscription - (i) Amount prepaid for calls
(2) Over subscription - (ii) Subscription above the offered shares
(3) Calls in arrear - (iii) Subscription below the offered shares
(4) Calls in advance - (iv) Amount unpaid on calls

	(1)	(2)	(3)	(4)
(a)	(i)	(ii)	(iii)	(iv)
(b)	(iv)	(iii)	(ii)	(i)
(c)	(iii)	(ii)	(iv)	(i)
(d)	(iii)	(iv)	(i)	(ii)

9. If a share of ₹ 10 on which ₹ 8 has been paid up is forfeited. Minimum reissue price is

- (a) ₹ 10 per share (b) ₹ 8 per share
(c) ₹ 5 per share (d) ₹ 2 per share

10. Supreme Ltd. forfeited 100 shares of ₹ 10 each for non-payment of final call of ₹ 2 per share. All these shares were re-issued at ₹ 9 per share. What amount will be transferred to capital reserve account?

- (a) ₹ 700 (b) ₹ 800 (c) ₹ 900 (d) ₹ 1,000

Answers

1 (c)	2(d)	3(d)	4(b)	5 (a)	6(b)	7(c)	8(c)	9(d)	10(a)
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II Very short answer questions

1. What is a share?

- ♣ The capital of companies is divided into small units called shares.

2. What is over-subscription?

- ♣ When the number of shares applied for is more than the number of shares offered for subscription, it is said to be over subscription.

3. What is meant by calls in arrear?

- ♣ When a shareholder fails to pay the amount due on allotment or on calls, the amount remaining unpaid is known as calls in arrears.
- ♣ In other words, the amount called up but not paid is calls in arrears.

4. Write a short note on securities premium account.

- ♣ When a company issues shares at a price more than the face value (nominal value), the shares are said to be issued at premium.
- ♣ The excess is called as premium amount and is transferred to securities premium account.

5. Why are the shares forfeited?

- ♣ When a shareholder defaults in making payment of allotment and/or call money, the shares may be forfeited.

III Short answer questions**1. State the differences between preference shares and equity shares.**

Basic difference	Preference shares	Equity shares
1. Rights	Preferential rights to preference shareholder in dividend and repayment of capital.	No Preferential right to equity shareholders in dividend and repayment of capital.
2. Rate of dividend	Fixed rate of dividend	Variable rate of dividend
3. Participation in management	They have no right to participate in management.	These shareholders have the right to participate in management.
4. Voting rights	They can vote on any resolution affecting their rights.	They can vote on are resolution.
5. Redemption	These are redeemed after stipulated period but in period of ten years from the date of issue.	These shares are not redeemed during the life time of the company at the time of winding up.

2. Write a brief note on calls in advance.

- ♣ The excess amount paid over the called up value of a share is known as calls in advance.
- ♣ It is the excess money paid on application or allotment or calls.
- ♣ Such excess amount can be returned or adjusted towards future payment.
- ♣ If the company decides to adjust such amount towards future payment, the excess amount may also be transferred to a separate account called calls in advance account.

3. What is reissue of forfeited shares?

- ♣ Shares forfeited can be reissued by the company.
- ♣ The shares can be reissued at any price.
- ♣ But, the reissue price cannot be less than the amount unpaid on forfeited shares.
- ♣ When forfeited shares are reissued at a loss, such loss is to be debited to forfeited shares account.
- ♣ When forfeited shares are reissued at a premium, the amount of such premium will be credited to securities premium account.
- ♣ If the reissue price is more than the amount unpaid on forfeited shares, it results in profit on reissue which is treated as capital profit and is transferred to capital reserve account.

4. Write a short note on (a) Authorised capital (b) Reserve capital**(i) Authorised capital**

- ♣ It means such capital as is authorised by the memorandum of association.
- ♣ It is the maximum amount which can be raised as capital.
- ♣ It is also known as registered capital or nominal capital.

(vi) Reserve capital

- ♣ The company can reserve a part of its subscribed capital to be called up only at the time of winding up.
- ♣ It is called reserve capital.

5. What is meant by issue of shares for consideration other than cash?

- ♣ A company may issue shares for consideration other than cash when the company acquires fixed assets such as land and buildings, machinery, etc.
- ♣ A company may also issue shares as consideration for the purchase of business, to promoters for their services and to brokers and underwriters for their commission.

UNIT: 8 FINANCIAL STATEMENT ANALYSIS

I Multiple choice questions

Choose the correct answer

1. Which of the following statements is not true?

- a) Notes and schedules also form part of financial statements.
- b) The tools of financial statement analysis include common-size statement
- c) Trend analysis refers to the study of movement of figures for one year**
- d) The common-size statements show the relationship of various items with some common base, expressed as percentage of the common base

2. Balance sheet provides information about the financial position of a business concern

- a) Over a period of time
- b) **As on a particular date**
- c) For a period of time
- d) For the accounting period

3. Which of the following tools of financial statement analysis is suitable when data relating to several years are to be analysed?

- a) Cash flow statement
- b) Common size statement
- c) Comparative statement
- d) Trend analysis**

4. The financial statements do not exhibit

- a) Non-monetary data**
- b) Past data
- c) Short term data
- d) Long term data

5. Which of the following is not a tool of financial statement analysis?

- a) Trend analysis
- b) Common size statement
- c) Comparative statement
- d) Standard costing**

6. The term 'fund' refers to

- a) Current liabilities
- b) Working capital**
- c) Fixed assets
- d) Non-current assets

7. Which of the following statements is not true?

- a) All the limitations of financial statements are applicable to financial statement analysis also.
- b) Financial statement analysis is only the means and not an end.
- c) Expert knowledge is not required in analysing the financial statements.**
- d) Interpretation of the analysed data involves personal judgement.

8. A limited company's sales has increased from ₹ 1,25,000 to ₹ 1,50,000. How does this appear in comparative income statement?

- a) + 20 %
- b) + 120 %
- c) - 120 %
- d) - 20 %

9. In a common-size balance sheet, if the percentage of non-current assets is 75, what would be the percentage of current assets?

- a) 175
- b) 125
- c) 25**
- d) 100

10. Expenses for a business for the first year were ₹ 80,000. In the second year, it was increased to ₹ 88,000. What is the trend percentage in the second year?

- a) 10 %
- b) 110 %**
- c) 90 %
- d) 11%

Answers

1. (c)	2. (b)	3. (d)	4. (a)	5. (d)	6. (b)	7.(c)	8. (a)	9. (c)	10.(b)
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II Very short answer questions**1. What are financial statements?**

- Financial statements are the statements prepared by the business concerns at the end of the accounting period to ascertain the operating results and the financial position.

2. List the tools of financial statement analysis.

- (i) Comparative statement
- (ii) Common-size statements
- (iii) Trend analysis
- (iv) Funds flow analysis
- (v) Cash flow analysis

3. What is working capital?

- The term 'fund' refers to working capital. Working capital refers to the excess of current assets over current liabilities.

$$\text{Working capital} = \text{current assets} - \text{current liabilities}$$

4. When is trend analysis preferred to other tools?

- When data for more than two years are to be analysed, it may be difficult to use comparative statement. For this purpose, trend analysis may be used.

III Short answer questions**1. 'Financial statements are prepared based on the past data'. Explain how this is a limitation.**

- The nature of financial statement is historical past cannot be the index of future and cannot be percent basis for future estimation, forecasting, budgeting and planning.

2. Write a short note on cash flow analysis.

- Cash flow analysis is concerned with preparation of cash flow statement which shows the inflow and outflow of cash and cash equivalents in a given period of time.
- Cash includes cash in hand and demand deposits with banks.
- Cash equivalents denote short term investments which can be realised easily within a short period of time, without much loss in value.
- Cash flow analysis helps in assessing the liquidity and solvency of a business concern.

3. Briefly explain any three limitations of financial statements.**(i) Lack of qualitative information:**

- Qualitative information that is non-monetary information is also important for business decisions.

(ii) Record of historical data:

- Financial statements are prepared based on historical data.
- They may not reflect the current position.

(iii) Ignore price level changes:

- Adjustments for price level changes are not made in the financial statements.

(iv) Lack of consistency:

- Different business concerns may use different accounting methods.

(v) Give only interim reports:

- ▲ Financial statements are prepared at the end of every accounting period.

(vi) Limited access to external users:

- ▲ The external users do not have detailed and frequent information of financial results as they have limited access.

(vii) Influenced by personal judgement:

- ▲ Preparation of financial statements may be influenced by personal judgements and therefore these are not free from bias.

4. Explain the steps involved in preparing comparative statement.**(i) Column 1:**

- ▲ In this column, particulars of items of income statement or balance sheet are written.

(ii) Column 2: Enter absolute amount of year 1.**(iii) Column 3:** Enter absolute amount of year 2.**(iv) Column 4:**

- ▲ Show the difference in amounts between year 1 and year 2. If there is an increase in year 2, put plus sign and if there is decrease put minus sign.

(v) Column 5:

- ▲ Show percentage increase or decrease of the difference amount shown in column 4 by dividing the amount shown in column 4 (absolute amount of increase or decrease) by column 2 (year 1 amount). That is, Percentage increase or decrease = $\frac{\text{Absolute amount of increase or decrease}}{\text{Year 1 amount}} \times 100$

5. Explain the procedure for preparing common-size statement.**(i) Column 1:**

- ▲ In this column, particulars of items of income statement or balance sheet are written.

(ii) Column 2: Enter absolute amount.**(iii) Column 3:**

- ▲ Choose a common base as 100. For example, revenue from operations can be taken as the base for income statement and total of balance sheet can be taken as the base for balance sheet. Work out the percentage for all the items of column 2 in terms of the common base and enter them in column 3.

UNIT: 9 RATIO ANALYSIS**I Multiple choice questions****Choose the correct answer****1. The mathematical expression that provides a measure of the relationship between two figures is called**

- (a) Conclusion **(b) Ratio** (c) Model (d) Decision

2. Current ratio indicates**(a) Ability to meet short term obligations**

- (b) Efficiency of management
(c) Profitability
(d) Long term solvency

3. Current assets excluding inventory and prepaid expenses is called

- (a) Reserves (b) Tangible assets
(c) Funds **(d) Quick assets**

4. Debt equity ratio is a measure of

- (a) Short term solvency
(c) Profitability

- (b) Long term solvency**
(d) Efficiency

5. Match List I with List II and select the correct answer using the codes given below:

List I

- (i) Current ratio
(ii) Net profit ratio
(iii) Debt-equity ratio
(iv) Inventory turnover ratio

List II

1. Liquidity
2. Efficiency
3. Long term solvency
4. Profitability

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	4	3	2
(b)	3	2	4	1
(c)	4	3	2	1
(d)	1	2	3	4

6. To test the liquidity of a concern, which of the following ratios are useful?

- (i) Quick ratio
(ii) Net profit ratio
(iii) Debt-equity ratio
(iv) Current ratio

Select the correct answer using the codes given below:

- (a) (i) and (ii)
(c) (ii) and (iii)

- (b) (i) and (iv)**
(d) (ii) and (iv)

7. Proportion of share holders' funds to total assets is called

- (a) Proprietary ratio**
(c) Debt equity ratio

- (b) Capital gearing ratio
(d) Current ratio

8. Which one of the following is not correctly matched?

- (a) Liquid ratio – Proportion
(b) Gross profit ratio – Percentage
(c) Fixed assets turnover ratio – Percentage
(d) Debt-equity ratio – Proportion

9. Current liabilities ₹ 40,000; Current assets ₹ 1,00,000 ; Inventory ₹ 20,000 . Quick ratio is

- (a) 1:1 (b) 2.5:1 **(c) 2:1** (d) 1:2

10. Cost of revenue from operations ₹ 3,00,000; Inventory in the beginning of the year ₹ 60,000; Inventory at the close of the year ₹ 40,000. Inventory turnover ratio is

- (a) 2 times (b) 3 times **(c) 6 times** (d) 8 times

Answers:

1. (b)	2. (a)	3. (d)	4. (b)	5. (a)	6. (b)	7.(a)	8. (c)	9. (c)	10.(c)
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II Very short answer questions

1. What is meant by accounting ratios?

- ♥ When ratios are calculated on the basis of accounting information, these are called 'accounting ratios'.

2. What is quick ratio?

- ♥ Quick ratio gives the proportion of quick assets to current liabilities.
- ♥ It indicates whether the business concern is in a position to pay its current liabilities as and when they become due, out of its quick assets.
- ♥ It is otherwise called liquid ratio or acid test ratio.

$$\text{Quick ratio} = \frac{\text{Quick assets}}{\text{Current liabilities}}$$

$$\text{Quick assets} = \text{Current assets} - \text{Inventories} - \text{Prepaid expenses}$$

3. What is meant by debt equity ratio?

- ♥ Debt equity ratio is calculated to assess the long term solvency position of a business concern.

$$\text{Debt equity ratio} = \frac{\text{Long term debt}}{\text{Shareholders' funds}}$$

4. What does return on investment ratio indicate?

- ♥ Return on investment shows the proportion of net profit before interest and tax to capital employed (shareholders' funds and long term debts).
- ♥ It is an overall measure of profitability of a business concern.

$$\text{Return on Investment (ROI)} = \frac{\text{Net profit before interest and tax} \times 100}{\text{Capital employed}}$$

$$\text{Capital employed} = \text{Shareholders' funds} + \text{Noncurrent liabilities}$$

5. State any two limitations of ratio analysis.

(i) Ratios are only means:

- ♥ Ratios are not end in themselves but they are only means to achieve a particular purpose.

(ii) Change in price level:

- ♥ Ratio analysis may not reflect price level changes and current values as they are calculated based on historical data given in financial statements.

III Short answer questions

1. Explain the objectives of ratio analysis.

- To simplify accounting figures
- To facilitate analysis of financial statements
- To analyse the operational efficiency of a business
- To help in budgeting and forecasting
- To facilitate intra firm and inter firm comparison of performance

2. What is inventory conversion period? How is it calculated?

- ♥ Inventory conversion period is the time taken to sell the inventory.
- ♥ A shorter inventory conversion period indicates more efficiency in the management of inventory.

$$\text{Inventory conversion period (in days)} = \frac{\text{Number of days in a year}}{\text{Inventory turnover ratio}}$$

$$\text{Inventory conversion period (in months)} = \frac{\text{Number of months in a year}}{\text{Inventory turnover ratio}}$$

3. How is operating profit ascertained?

- ♥ Operating profit ratio gives the proportion of operating profit to revenue from operations.
- ♥ Operating profit ratio is an indicator of operational efficiency of an organisation.

$$\text{Operating profit ratio} = \frac{\text{Operating profit} \times 100}{\text{Revenue from operations}}$$

Alternatively, it is calculated as under.

$$\text{Operating profit ratio} = 100 - \text{Operating cost ratio}$$

$$\text{Operating profit} = \text{Revenue from operations} - \text{Operating cost}$$

4. State any three advantages of ratio analysis.

(i) Measuring operational efficiency:

- ♥ Ratio analysis helps to know operational efficiency of a business by finding the relationship between operating cost and revenues and also by comparison of present ratios with those of the past ratios.

(ii) Measuring financial solvency:

- ♥ Ratio analysis helps to ascertain the liquidity or short term solvency and long term solvency of a business concern.

(iii) Facilitating investment decisions:

- ♥ Ratio analysis helps the management in making effective decisions regarding profitable avenues of investment.

(iv) Analysing the profitability:

- ♥ Ratio analysis helps to analyse the profitability of a business in terms of sales and investments.

(v) Intra firm comparison:

- ♥ Comparison of efficiency of different divisions of an organisation is possible by comparing the relevant ratios.

(vi) Inter firm comparison:

- ♥ Ratio analysis helps the firm to compare its performance with other firms.

5. Bring out the limitations of ratio analysis.

(i) Ratios are only means:

- ♥ Ratios are not end in themselves but they are only means to achieve a particular purpose.

(ii) Accuracy of financial information:

- ♥ The accuracy of a ratio depends on the accuracy of information taken from financial statements.

(iii) Consistency in preparation of financial statements:

- ♥ Inter firm comparisons with the help of ratio analysis will be meaningful only if the firms follow uniform accounting procedures consistently.

(iv) Non-availability of standards or norms:

- ♥ Ratios will be meaningful only if they are compared with accepted standards or norms.
- ♥ Only few financial ratios have universally recognised standards.

(v) Change in price level:

- ♥ Ratio analysis may not reflect price level changes and current values as they are calculated based on historical data given in financial statements.

UNIT: 10 COMPUTERISED ACCOUNTING SYSTEM**I Multiple choice questions****Choose the correct answer**

- 1. Accounting report prepared according to the requirements of the user is**

(a) Routine accounting report **(b) Special purpose report**
(c) Trial balance (d) Balance sheet
- 2. Function key F11 is used for**

(a) Company Features (b) Accounting vouchers
(c) Company Configuration (d) None of these
- 3. Which submenu displays groups, ledgers and voucher types in Tally?**

(a) Inventory vouchers (b) Accounting vouchers
(c) Company Info **(d) Account Info**
- 4. What are the predefined Ledger(s) in Tally?**

(i) Cash (ii) Profit & Loss A/c (iii) Capital A/c
(a) Only (i) (b) Only (ii)
(c) Both (i) and (ii) (d) Both (ii) and (iii)
- 5. Contra voucher is used for**

(a) Master entry
(b) Withdrawal of cash from bank for office use
(c) Reports (d) Credit purchase of assets
- 6. Which is not the default group in Tally?**

(a) Suspense account **(b) Outstanding expense**
(c) Sales account (d) Investments
- 7. Salary account comes under which of the following head?**

(a) Direct Incomes (b) Direct Expenses
(c) Indirect Incomes **(d) Indirect Expenses**
- 8. ₹ 25,000 withdrawn from bank for office use. In which voucher type, this transaction will be recorded**

(a) Contra Voucher (b) Receipt Voucher
(c) Payment Voucher (d) Sales Voucher
- 9. In which voucher type credit purchase of furniture is recorded in Tally**

(a) Receipt voucher **(b) Journal voucher**
(c) Purchase voucher (d) Payment voucher
- 10. Which of the following options is used to view Trial Balance from Gateway of Tally?**

(a) Gateway of Tally -> Reports -> Trial Balance
(b) Gateway of Tally -> Trial Balance
(c) Gateway of Tally -> Reports -> Display -> Trial Balance
(d) None of these

Answers

1 (b)	2 (a)	3 (d)	4 (c)	5 (b)	6 (b)	7 (d)	8 (a)	9 (b)	10 (c)
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II Very short answer questions

1. What is automated accounting system?

- ✘ Automated accounting is an approach to maintain up-to-date accounting records with the aid of accounting software.

2. What are accounting reports?

- ✘ Accounting report is a compilation of accounting information that are derived from the accounting records of a business concern.
- ✘ Accounting reports may be classified as routine reports and special purpose reports.

3. State any five accounting reports.

- (a) Day books / Journal
- (b) Ledger
- (c) Trial balance
- (d) Income statement
- (e) Balance sheet
- (f) Cash flow statement

4. What is Accounting Information System (AIS)?

- ✘ Accounting Information System (AIS) collects financial data, processes them and provides information to the various users.

5. What is a group in Tally.ERP 9?

- ✘ In Tally, a Group is a collection of ledgers of the same nature.
- ✘ There are predefined groups of accounts which are widely used in accounts of many organisations.
- ✘ Groups are categorised as Primary Groups and Sub-Groups.
- ✘ Primary group includes Capital Account, Current Liabilities, Fixed Assets, Current Assets, etc.
- ✘ Sub-Group includes Reserves & Surplus, Sundry Creditors, Sundry Debtors, etc.

III Short answer questions

1. Write a brief note on accounting vouchers.

- ✘ Voucher is a document which contains details of transactions.
- ✘ Transactions are to be recorded through voucher entries.
- ✘ Tally has a set of predefined vouchers such as Purchase, Sales, Payment, Receipt and Contra.

To view the list of voucher types:

Gateway of Tally > Masters > Accounts Info > Voucher Types > Display

As per the requirements of users, additional voucher type can be created.

- i) Receipt Voucher
- ii) Payment Voucher
- iii) Contra Voucher
- iv) Purchase Voucher
- v) Sales Voucher
- vi) Journal Voucher

2. What are the pre-defined ledgers available in Tally.ERP 9?

- ✘ Tally has two predefined ledgers, Cash and Profit & Loss A/c.
- ✘ The user has to create various other ledgers based on their requirements.

Gateway of Tally > Masters > Accounts Info > Ledgers > Single Ledger > Create

After selection, Tally screen will appear as in Figure 10.8.

- ✘ While creating a ledger, name and the Group under which the ledger account is to be classified should be provided.
- ✘ Leave all other features to default values and accept 'Yes'.

3. Mention the commonly used voucher types in Tally.ERP 9.

(i) Receipt Voucher

- ✘ In this voucher, cash or bank account is debited and other ledger account is credited.

Gateway of Tally > Transactions > Accounting Vouchers > F6:Receipt

(ii) Payment Voucher

- ✘ In this voucher, cash or bank account is credited and other ledger account is debited.

Gateway of Tally > Transactions > Accounting Vouchers > F5:Payment

(iii) Contra Voucher

- ✘ The transaction may be for deposit of cash into bank account or withdrawal of cash from bank account.

Gateway of Tally > Transactions > Accounting Vouchers > F4:Contra

(iv) Purchase Voucher

- ✘ Purchase vouchers are used for recording both cash and credit purchases of goods.

Gateway of Tally > Transactions > Accounting Vouchers > F9:Purchase

(v) Sales Voucher

- ✘ Sales vouchers are used for recording both cash and credit sales of goods.

Gateway of Tally > Transactions > Accounting Vouchers > F8:Sales

(vi) Journal Voucher

- ✘ Journal vouchers are used for recording transactions involving other than cash, bank, purchases and sales such as depreciation, provision for bad debts.

Gateway of Tally > Transactions > Accounting Vouchers > F7:Journal

4. Explain how to view profit and loss statement in Tally.ERP 9.

(i) To view Profit and Loss Account

F10: A/c Reports > Profit & Loss A/c > AltF1 (detailed)

(or)

Gateway of Tally > Reports > Profit & Loss A/c > AltF1 (detailed)

5. Explain any five applications of computerised accounting system.

1. Maintaining accounting records:

- ✘ In CAS, accounting records can be maintained easily and efficiently for long time period.
- ✘ It does not require a large amount of physical space.
- ✘ It facilitates fast and accurate retrieval of data and information.

2. Inventory management:

- ✘ CAS facilitates efficient management of inventory.
- ✘ Fast moving, slow moving and obsolete inventory can be identified.
- ✘ Updated information about availability of inventory, level of inventory, etc., can be obtained instantly.

3. Pay roll preparation:

- ✘ Pay roll involves the calculation of amount due to an employee.
- ✘ Pay of an employee may be calculated based on hours/days worked or units produced.
- ✘ CAS records the attendance of employees, computes the amount of salary, makes deductions such as provident fund, income tax, etc.

4. Report generation:

- ✘ CAS helps to generate various routine and special purpose reports.

5. Data import/export:

- ✘ Accounting data and information can be imported from or exported to other users within the organisation as well as outside the organisation.

6. Taxation:

- ✘ CAS helps to compute various taxes and to deduct these and deposit the same to the Government account.

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