

11th Commerce

Expected 2 Marks Questions With Answers

1. What is Barter System?

Ans:

Goods were exchanged for goods before the invention of money. To carry on Barter System, the following conditions must be fulfilled:

- Surplus Stock
- Double coincidence of wants
- Personal Meeting

2. What is Nallangadi?

Ans:

- The place where the goods were sold was called 'Angadi'.
- Day market was called as Nallangadi.

What is Allangadi?

Ans:

- The place where the goods were sold was called 'Angadi'.
- Night market was called as Allangadi.

3. Define Economic Activities.

Ans:

Activities undertaken with the object of earning money are called economic activities.
e.g. selling of fruits, working as a doctor.

4. What is mean by business?

Ans:

It is an economic activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services”
e.g. Sundar Stationery, Ramesh Bros., Britannia Industries.

5. What do we mean by Industry?

Ans:

Industry refers to economic activities, which are connected with conversion of resources into useful goods.

The production side of business activity is referred as Industry.

6. What is Trade?

Ans:

- Trade is an essential part of Commerce.
- The term 'trade' is used to denote buying and selling.
- It helps in making the goods produced available to ultimate consumers.

- Trade may be classified into internal trade and external trade.

7. What is Sole Trading Business?

Ans:

- Sole Proprietorship is a form of business organisation in which an individual introduces his own capital, uses his own skill and intelligence in the management of its affairs and is solely responsible for the results of its operations.
- It is also known as Individual entrepreneurship.

8. Who is Called as Karta?

Ans:

- All the affairs of a Joint Hindu family are controlled and managed by one person who is known as 'Karta' or 'Manager'
- Karta is the senior most male member of the family.

9. What are the Two Schools of Hindu Law?

Ans:

There are two schools of Hindu Law

- Dayabhaga Law – Prevalent in Bengal and Assam
- Mitakshara Law – Prevalent in the rest of the country.

10. Who is Sleeping Partner?

Ans:

- A partner contributes capital and shares in the profits or losses of the firm
- But he does not take part in the management of the business.
- He is called sleeping partner.

11. What is mean by limited liability?

Ans:

- The liability of the members of the company is limited.
- A member is liable to pay only the uncalled money due on shares held by him
- Personal Properties of the shareholders are not held responsible.

12. What is Chartered Company?

Ans:

- Chartered Companies are established by the King or Queen of a country.
- Powers and Privileges of the Company are specified in the charter.

- Power to cancel the charter is vested with King/Queen.

E.g. East India Company, Bank of England

13. Define Cooperatives.

Ans:

Co-operation is better farming, better business and better living –

Sir Horace Plunkett

14. What are Rochdale Pioneers?

Ans:

- The first co-operative movement was started by Robert Owen in the year 1884
- He formed a Consumers Co-operative Society with 28 workers as members, called Rochdale society of equitable pioneers.

15. Define Multinational companies.

Ans:

“A multinational corporation owns and manages business in two or more countries”. –
Neil H. Jacoby

16. Give 2 Examples of MNC.

Ans: Philips, Coca-Cola Company, IBM, Britannia

Micromax, Informatics, Tata

17. Give 2 Examples of Departmental Undertakings.

Ans: All India Radio, Doordarshan

18. What is Red-tapism?

Ans:

- There is too much of procedures which results in delay.
- Commercial organisation cannot afford delay in taking decisions.

19. Give the Meaning of Bank.

Ans:

- The word Bank normally refers to commercial bank.
- It plays a vital role by providing the money required by industries and commerce for their regular functioning and development.

20. Briefly Explain about the Central Bank.

Ans:

- Every nation has one central bank.
- It is owned by the Government of the country.
- Central banks are known by different names in different countries.
- Stability and growth of the country's economy are the main goals of a Central bank.
- In India, the Reserve Bank of India is the Central Bank

21. Give the meaning of commercial banks.

Ans:

- Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. in order to earn profit.
- Their lending is in comparatively small amounts and mostly for short and medium period.
- They operate with a head office and a network of branch offices spread throughout the country.
- Examples : i) State Bank of India ii) Karur Vysa Bank

22. What is meant by foreign banks?

Ans :

- Banks which have registered office in a foreign country and branches in India are called foreign Banks.
- These banks open their offices in big cities and port towns only.
- Mostly they serve the interests of multinational companies, employees and other business institutions. In 2017, there were 42 Foreign Banks in India.

Examples : Barclays Banks, Bank of America

23. What is Debit Card?

Ans :

- ATM card is also called debit card.
- This card is more useful in purchase of goods and services anywhere in India, if the shops maintain swiping machine facility.
- VISA card and Master card services are offered by Visa Corporation and Mastercard both from the USA.
- Ru Pay card services were launched in March 2012 by the National Payment Corporation of India.

24. What is ATM?

Ans :

- A customer can withdraw money anytime, anywhere in India from the ATM machine using ATM card given by his/her bank.
- This Machine shows the Balance available in the Customer's Account, provides statement of the few past transactions, etc.

25.What is Warehouse?

Ans :

- It is a place where goods are stored for future use.
- It acts as distribution centres.
- Warehouses are designed depending upon the nature of the products to be stored.

26.Give any 2 Needs of Warehouses.

Ans :

- (a) Mass Production
- (b) Nature of commodities
- (c) Seasonal production but regular consumption
- (d) Regular production but seasonal consumption

27.Define Transport.

Ans :

According to K.K. Saxena, "The transport system acts with reference to the area it serves in the same way as a candle does in a dark room."

28.State any Two Services Rendered by Transport.

Ans :

- It increases the efficiency of production.
- It develops and expands the market.
- It helps in price stability by distributing goods all over the country.
- It aids to economic growth.

29.List any 5 important types of policies.

Ans :

- Whole Life Policy
- Joint-Life Policy
- Annuity Policy
- Endowment-Life Assurance Policy
- Children's Endowment Policy

30.What is Health Insurance?

Ans:

- It is a contract between an insurer and an individual or group
- In which the insurer agrees to provide specified health insurance at the agreed upon price

31.What is Franchisee?

Ans:

The individual who acquires the right to operate the business or use the trademark of the seller is known as Franchisee”

32.Write Short note on Debentures.

Ans:

- Debentures are an important instrument for raising long term debt capital.
- It bears a fixed rate of interest.
- A person subscribing to Debenture is called Debenture holder.

33. Give 2 Examples of Post offices Saving Schemes.

Ans:

Examples of Post Office Savings Schemes are :

- i)National Savings Certificate (NSC)
- ii)Public Provident Fund Account (PPF)
- iii)Post Office Fixed Deposit Account
- iv)Post Office Recurring Deposit Account

34. What is Depository Receipt?

Ans:

- A depository receipt is a negotiable financial Instrument issued by a bank to represent a foreign company’s equity shares or securities.
- They are issued to attract a greater amount of investment from other countries.

35. What are non- corporate enterprises?

Ans:

- In non-corporate enterprises, business and its owners are considered as a same entity.

- Non corporate enterprises may be organised as a Sole proprietorship, Partnership firms or Joint Hindu family business.

36.What are corporate enterprises?

Ans:

- In corporate enterprises, the legal entity of enterprise is distinct from its owners that is the ownership is separated from its management, and the owners cannot take direct control over the business.
- Corporate enterprises maybe organised as Joint stock companies, Government enterprises or Co-operative societies.

37. What are the services included in service businesses?

Ans:

Services included in service businesses are Education, Health, Banks, Hotels, Transport, Communications, Electricity, etc.

38.Define Commerce

Ans:

According to Evelyn Thomas, “Commercial Operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products.”

39. What is Mobile Banking?

Ans:

- Most of the Commercial Banks have designed Computer Programs, called Apps which can be downloaded in Smart Phones.
- With this app in the smart phone a customer can operate his account transactions from anywhere.
- This service is known as mobile banking.

40. What is Free Enterprise?

Ans:

- A Business enterprise which accepts and discharges social obligations enjoy greater freedom.
- Example The Govt passed consumer Protection act to prevent from adulteration, black marketing and other Anti-social practices.

41. What is Ethics?

Ans:

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

42. How many types of Dissolution?

Ans: Types of Dissolution

i) *Dissolution of Firm*

ii) *Dissolution of Partnership*

i) **Dissolution of Partnership firm is taken place in two ways :**

- Without the order of the Court
- By order of the Court

43. Write any two key elements of business ethics?

Ans:

- **Top Management Commitment**

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

- **Publication of a code**

Generally, organisations formulate their own ethical codes for the conduct of the enterprise, it should be followed by the employees of the organisation.

44. Name any two sources of funds classified under borrowed funds.

Ans:

Sources of Funds classified under borrowed funds are debentures, loans from banks, public deposits, trade credit, lease financing, etc.

45. Give two examples of Public corporation.

Ans:

- ✓ Life Insurance Corporation of India
- ✓ The Indian Airlines

46. What is Credit co-operatives?

Ans:

- It is formed for the purpose of providing short-term financial to help their members
- Agriculturalists, salaried employees, artisans, Industrial Workers form these credit co-operatives.

47. What is meant by oligopoly?

Ans. :

It is a market condition where there are very few sellers in the same product line.

48. What do you mean by Industrial Banks ?

Ans. :

- Huge finance required for investment, expansion and modernisation of big industries and others are granted by a separate type of Banks called Development banks.
- They are also called Industrial Banks.
- The objective of development banks is not profit.
- Their aim is to develop the country and create employment opportunities.
- example : IFCI, IDBI

49. Write a short note on Credit card.

Ans:

- Banks issue credit cards to customers and other eligible persons.
- With this card, the holder can purchase goods and services on credit at any shop in India
- If the dues are paid within the stipulated time, no interest is charged.
- The credit limit is fixed by the issuing bank based on the income of the card holder.

50. Give a note on FCI

Ans:

- The FCI was set up under the Food Corporation Act, 1964
- It provides storage facilities for food grains
- The available storage capacity of FCI is 74.6 million tonnes

51. Write any two advantages of water transport.

Ans.:

- It is the cheapest mode of transport among the other modes of transport.
- It is most suitable for heavy loads.
- There is lesser pollution in Water Transport

52. What is meant by BPO?

Ans.:

- BPO – Business Process Outsourcing
- It means getting contractual services of external companies or group of companies to complete special work or process of a company
- For example, Call Centres, Data Entry, etc.
- This reduces the expenditure by using cheap labour available in developing countries like India, China etc.

53. What is meant by Logistics?

Ans:

“Logistics is a logical extension of transportation and related areas to achieve an efficient and effective goods distribution system.”

54. What is ethical responsibility?

Ans:

- This includes the behaviour of the firm that is expected by the society but not codified in law.
- Example Respecting the religious sentiments, Dignity of people while advertising for a product.

55. Who are foreign Institutional Investors?

Ans :

- FIIs are the investments made by an individual or an investment fund, into the financial markets of another nation.
- Organizations like hedge funds, Insurance companies, Pension funds and Mutual funds can be called as “Institutional Investors”.

56. What is GDR?

Ans. :

GDR is an instrument issued abroad by company to raise funds in some foreign currencies and is listed and traded on foreign stock Exchange.

57. Define corporate governance.

Ans. :

Corporate governance is defined as the system by which companies are directed and controlled – Cadbury committee.

Expected 3 Marks Questions With Answers

1.Explain the Term Vanigam.

ANS:

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

2. What are the Ports Developed by Pandiya Kingdom?

ANS:

- Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with markets to imports and exports.
- Domestic trade used Boats like 'Padagu', 'Thimil', 'Thoni', 'Ambu', 'Odampunai' etc.
- For foreign trade Kalam, Marakalam, Vangam, Navai etc.. were used.

3. What do we mean by Human Activities Explain?

ANS:

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

- I. Economic Activities are undertaken to earn money. E.g. Selling Fruits, Working as a doctor.
- II. Non-Economic Activities are undertaken to satisfy social and psychological needs. E.g. Cooking food, celebrating festivals

4. Explain the Classification of Business.

ANS:

Business Activities are classified on the basis of size, ownership and function

I) Activities on the Basis of Size

On the basis of size, Business may be grouped into two categories

- a) Small Scale
- b) Large Scale

II) Activities on the Basis of Ownership –

On the basis of ownership, business may be grouped into three categories, namely

- a. Private Enterprises
- b. Public Enterprises
- c. Joint Enterprises

III) Activities on the basis of Function

On the basis of functions, business may be grouped into two categories, namely

- a. Industries
- b. Commerce

5. What do you mean by Tertiary Industries?

ANS:

- They do not produce goods
- These industries produce utility services and sell them at a profit
- They help trade, industry and commerce.
- This term also includes auxiliaries to trade like banking, insurance, warehouse, etc.

6. Write Short note on Transportation.

ANS:

- Selling all the goods produced at or near the production place is not possible.
- Hence, goods are to be sent to different places where they are demanded.
- The medium which men and materials from one place to another is called transport.
- Rail, Air, Sea and Land Transports are the different modes of transport.

7. Write Any 3 Disadvantages of Cooperatives.

ANS:

A)Limited Funds

- Co operative societies have limited membership.
- The membership fees collected is low
- Therefore the funds available are limited.

B)Lack of Secrecy

- Business Secrets cannot be maintained in co-operatives
- Because all members are aware of the activities of the enterprise

C)Lack of Managerial Skills

- Members of the managing committee may not have required qualification skill or experience.
- This results in inefficient management, poor functioning of the enterprise.

8. Name the Type of Business Enterprise which operates in more than one Country.

ANS:

Multinational companies are those enterprises which operate in more than one country. Examples Philips, Coco-Cola Company, IBM , Britannia ,Micromax, Informatics , Tata.

9. Write Any 3 Indian MNC'S.

ANS: Bajaj - Pune, TVS - Chennai, TATA- Mumbai ,Hero Moto-corp – NewDelhi.

10. What is meant by Government Company?

ANS:

- A government company is defined as “Any Company in which not less than 51% of the Share Capital is held by the central government or by any state government or governments or partly by the central government and partly by one or more state governments and includes a company which is a subsidiary company of such a government company”.
- E.g. Steel Authority of India

11. What is meant by Public Corporation?

ANS:

- It is form of public enterprise which is created as an autonomous unit, by a special Act of the Parliament or State Legislature.
- Since it is created by a Statute. It is also known as a statutory corporation.
- The Statute defines the objectives, powers and functions of the public corporations.
- Examples: Life Insurance Corporation of India, the Indian Airlines, the Air India International

12. What are the Objectives involved in Regional Rural Banks?

ANS:

- The RRB's were formed under the Regional Rural Bank Act 1976, jointly by the central Government, State Government and a sponsor bank.
- Their objective is to develop rural economy and play supplementary role to co-operative societies.
- They mobilise deposits from the rural public and provide finance to rural artisans, small entrepreneurs and farmers and try to avoid their dependency on money lenders.
- They are regulated and supervised by NABARD.

13. Write Short note on Local Area Banks? Give 2 Examples.

ANS:

- Local Area Bank (LAB) scheme was introduced by the RBI in August, 1996.
- LAB's are small private sector banks established in rural and semi-urban areas.
- Each bank serves two or three adjoining districts only.
- Their main objective is to mobilise rural savings and invest them in the same areas.
- Examples : Coastal Local Area Bank, Vijayawada, Andhra Pradesh
Krishnabhima smruddhi Local Area Bank, Mahabub Nagar,
Telangana.

14.Explain NEFT

ANS:

- This was launched by the RBI in 2005.
- Under this electronic funds transfer system, bulk transactions are settled in batches during specific timings across India.
- Once in every half hour from 8.00 am to 7.30 pm.
- 23 settlements are allowed in a day.
- NEFT transfers are not allowed on Sundays and bank holidays.
- Both NEFT and RTGS use IFSC a 11 digit alphanumeric code, to identify bank branch.
- IFSC is provided by IDRBT Hyderabad.

15. Write a short note on - RTGS.

ANS:

- It was launched by the RBI in 2013.
- The transactions are settled on real time basis.
- Gross settlement means the transaction is settled between one bank and another bank without adding any other transactions.
- RTGS facility is available between 9.00 am to 4.30 pm on weekdays.
- RTGS transfers are not allowed on Sundays and bank holiday.
- Minimum limit for RTGS transaction is 2 lakhs.

16. Difference between Warehouse Receipt and Warehouse Warrant.

ANS:

Warehouse Warrant	Warehouse Receipt
1. It is a document of title of goods	It is not a document of title of goods
2. It is not only an acknowledgement for the receipt of goods but also gives an authority to get delivery of goods by the owner or by third party.	It is only an acknowledgement for the receipt of goods.
3. It can be negotiated or transferred to others.	It cannot be transferred to others
4. It can be given a collateral security for getting financial assistance	It cannot be given as collateral security.
5. Delivery of goods effected by surrendering this warrant with endorsement	Delivery is effected by surrendering this receipt with letter from depositor.

17. Explain Cold Storage Warehouse.

ANS:

- These warehouses are used for storing perishable goods like fruits, vegetables, eggs, butter, fish, meat, etc.
- Goods stored in cold-storages without deterioration in quality, can be made available throughout the year.
- Goods are transported in refrigerated containers and stored in refrigerated warehouses.

18. What is Charter Party?

ANS:

- When goods are to be consigned in large quantity, it is advantageous to hire the whole or substantial part of the Ship.

- The document through which this contract is made is known as ‘Charter Party’ may also be known as ‘Voyage Charter’ or ‘Time Charter’.
- The person who hires the Ship is known as Charter.
- The Charter Party brings the vessel and the crew under the control of the charters.

19. Define Insurance.

ANS:

“Insurance is a plan by themselves which large number of people associate and transfer to the shoulders of all, risk that attacks to individuals.”

- according to **John Merge**

20. Write Short note on IRDAI.

ANS:

- IRDAI – Insurance Regulatory Development and Authority of India is the statutory, independent and apex body.
- That governs, regulates and supervises the insurance industry in India
- It was constituted in the year 2000, by Parliament of India Act, called IRDAI Act 1999
- It’s headquarters is in Hyderabad.

21. Define Business Finance.

ANS:

“The Finance Function is the process of acquiring and utilizing funds by a business” - R.C. Osborn

• “Finance is that business activity which is concerned with the acquisition and conservation of Capital Fund, in meeting the financial needs and overall objectives of Business Enterprises.” -B.O. Wheeler

22. What is pledge?

ANS:

- Till the repayment of Loan, the article is under the custody of the creditor
- If the debtor fails to repay the loan, the creditor will auction the article pledged and adjust the outstanding loan from the sale proceeds.

23. What are the 3 Disadvantages of FDI?

ANS:

- **Exploiting Natural Resources**

The FDI companies deplete natural resources. -As a result such resources are not available for the usage of common man in the host country.

➤ **Heavy Outflow Of Capital**

Foreign companies are said to be take away huge funds in the form of dividend, royalty fees etc. This cause a huge outflow of capital.

➤ **Not Transferring Technology**

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

24. Explain the Origin of RBI.

ANS:

- In 1926 the Hilton Young Commission or the Royal Commission on Indian Currency and Finance made recommendation to create a Central Bank.
- As a result, the RBI Act 1934 was passed. RBI launched its operations from April 1, 1935.
- After independence, the Government of India passed Reserve Bank Act, 1948.
- From January 1, 1949, RBI started functioning as a government owned central bank of India.

25. What is Unlimited Liability?

ANS:

- The liability of the sole trader is unlimited
- When business assets are not sufficient to pay off the business debts the proprietor has to pay from his personal property.
- In other words, the creditors have the right to recover their dues even from the personal property of the proprietor in case the business assets are not sufficient to pay their debts.

26. Why MNCs in India?

ANS:

- India has a huge market.
- It is one of the fastest growing economies in the world
- Favourable policies of the government toward world FDI.
- Financial liberalization of the country.
- Government encourages and makes continuous efforts to attract foreign investments.

27. State the meaning of Maruvurappakkam and Pattinappakkam.

Ans:

i). Maruvurpakkam:

- Poompuhar had the 'Maruvurappakam' (inland town).
- It had market and bazaars where many merchants met for the purpose of selling or buying different commodities and food stuff.

ii). Pattinapakkam:

- Pattinapakkam is a Coastal town.
- They were engaged in different kinds of fishing pearls, and conches and produced salts and built ships.

28. Give the meaning of crop insurance.

Ans:

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

29. What is meant by foreign company?

Ans:

- A Company which is incorporated outside India under the law of that country.
- And establish business in India
- It must file the following documents
 - i) A certified copy of the charter or statutes under which the company is incorporated
 - ii) The full address of the registered office of the company
 - iii) A List of Directors and Secretary of a Company
 - iv) The name and address of any person resident of India to receive any notice
 - v) The full address of the Company's Principal place of business in India.

30. What is meant by producers cooperatives?

Ans:

- Established and operated by producers.
- They are organised to process, market and distribute their own products.
- This helps lessen costs and strains in each area with a mutual benefit to each other.
- E.g. Co-operative weavers societies, co-operative carpentering units

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

Ans:

- It is a set of moral standards to be followed by owners, managers and business people.

- These standards determine the conduct and behaviour of business people.
- Business ethics reflects the conduct in the context of business.

32. What do you mean by foreign currency convertible bonds?

Ans:

- It is a special type of bond issued in the currency other than the home currency.
- In other words, companies issue foreign currency convertible bonds to raise money in foreign currency.

33. What is e banking?

Ans:

- Banking through internet is called E- banking.
- It can also be called as electronic banking.
- This reduces cost and time and makes banking service convenient to the customers.
- This service is a substitute for drafts, cheques and other paper based transfer of funds.

34. What is the minimum number and maximum number of members in partnership firm?

Ans:

The minimum number of persons required to form a partnership is two.

- Maximum number of persons is 50
- Partnership is the outcome of an agreement

35. What is bill of lading?

Ans:

- It is a document containing the terms and conditions of the contract of carriage
- It is issued by the shipping company and signed by the captain of the Ship.
- It acknowledges the receipt of the goods described in it, on board the Ship.
- It also serves as an official receipt of goods.
- It is a document of title of goods.

36. Write any three features of HUF.

Ans:

- i) **Governed by Hindu Law:** The business of the Joint Hindu Family is controlled and managed under Hindu Law
- ii) **Management:**
 - All the affairs of Joint Hindu Family business are controlled and managed by one person who is known as 'Karta' or 'Manager'
 - Karta is the senior most male member of the family

iii) Membership by Birth:

- The membership of the family can be acquired only by birth.
- As soon as a child is born in the family, that child becomes a member.

37.What are the advantages of Company?**Ans :i)Large Capital**

A Company can secure large capital compared to sole trader or partnership

ii)Limited Liability

- The Liability of a share holder is limited
- This will motivate many people to become a share holder

iii)Transferability of Shares

Any share holder can easily convert his shares into money by **selling his shares**

38.Who are the persons involved in RBI ?

Ans: The twenty one member board is appointed by the Government of India, which consists of

- One Governor and Four Deputy Governors for a period of Four Years
- Ten Directors from various fields
- Two Government Officials
- Four Directors – One each from local boards.

39. Give examples of sole trading business.

Ans: Examples of Sole trading business is

- Grocery Shops
- Medical Stores
- Stationery Shops
- Beauty Parlour
- Sweet Stalls

40.Write short notes on a) Business b) Profession.

Ans:

a) Business:

It is an economic activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services”

e.g. Sundar Stationery, Ramesh Bros., Britannia Industries

b) Profession:

Professions are those occupations which involve rendering of personal services of a

special and expert nature. It is a career for some one who is competent in their respective areas.

Those who engage in a profession are called professionals. Their income is Professional Fees. E.g. Doctor, Engineer, Lawyer, etc.

41. How is it possible to maintain secrecy in sole proprietorship?

Ans:

- Since the sole trader manages all the affairs of the business, the secrecy can be maintained easily.
- The sole trader is not bound by law to publish his business account.
- It enables him to keep all the information related to business confidentially

42. What are the types of franchising?

Ans:

A. Product/trade name Franchising :

In this type, the franchisee exclusively deals with a manufacturer's product. Examples : Kid zee, French Loaf

B .Business format franchising :

When a franchisor awards rights covering all business aspects as a complete business package to the franchisee it is called as business format franchising. Example : McDonalds, Pizza Hut, KFC, etc.

43. List the kinds of social responsibility.

Ans:

- i)Economic Responsibility
- ii)Legal Responsibility
- iii)Ethical Responsibility
- iv)Discretionary Responsibility

44. Classify the sources business on the basis of period.

Ans:

Business Finance is classified into three types, on the basis of period

(i)Long Term Finance – (more than five years) Long term finance can be mobilised by issues of shares and debentures, term loans from commercial banks, etc.

(ii)Medium Term Finance –(above one year and below five years) Medium term finance can be mobilised by public deposits, medium term loans from Banks, etc.

(iii)Short Term Finance – (within one year) Short Term Finance can be raised through public deposits, trade credit, cash credit, etc.

45. List the steps in factoring.

Ans:

- The firm enters into a factoring arrangement with a factor which is generally a financial institution for invoice purchasing.
- Whenever goods are sold on credit sales an invoice is raised and a copy of the same is sent to the factor,
- The Debt Amount due to the firm is transferred to the factor through assignment and the same is intimated to the customer.
- On the Due Date amount is collected by the factor from the customer.
- After retaining the service fees, the remaining amount is sent to the firm by the factor.

46. What are the functions of RBI?

Ans:

➤ ***Leadership and Supervisory Functions***

India being the fastest growing economy in the World, it has to transform the quality and size of the banks in India, to the level of Banks in developed countries

➤ **Traditional Functions**

Traditional Functions are those functions, which every central bank of each nation performs all over the world.

➤ **Promotional Functions -**

RBI perform a wide range of promotional functions to support National Objectives

47. What is the meaning of Partnership Deed?

Ans:

- It is a written agreement among the partners.
- All the terms and conditions of partnership are included in the agreement.
- It avoids misunderstandings.
- It should be properly stamped and registered

48. What is the impact of E-Commerce on Buyers ? (Any three)

Ans:

- Buyers could buy the products or services round the clock from anywhere in the world
- The prices of products bought through E-Commerce are relatively lower than those in the physical market
- Electronic and Software products could be downloaded immediately after purchase

LONG ANSWER QUESTION AND ANSWERS

Distinguish / Compare Type of Questions:

1. Compare business with profession and employment

Ans:

Business	Profession	Employment
1. Nature of Work: Goods and services provided to the public	Personalized service of expert nature	Performing work assigned by the employer
2. Qualifications: No minimum qualification is essential	Education and training in specialized field	Minimum qualification is essential
3. Capital: Capital investment required as per size of the firm	Limited capital necessary for establishment	No capital required
4. Reward: Profits	Professional fee	Salary or wages
5. Risk: Profits are uncertain and irregular	Fee is regular and certain, never negative	Fixed and regular pay, no risk
6. Transfer of Interest: Transfer possible with some formalities	Not possible	Not transferable

2. Compare Industry Commerce and Trade

Ans:

Comparison between Industry, Commerce and Trade

INDUSTRY	COMMERCE	TRADE
1. Meaning: Extraction, reproduction, conversion, processing and construction of useful products	Activities involving distribution of goods and services	Purchase and sale of goods and services
2. Scope: Consists of all activities involving conversion of materials and semi-finished products into finished goods.	Comprises trade auxiliaries to trade	Comprises exchange of goods and services
3. Capital: Generally large amount of capital is required	Need for capital is comparatively less	Small capital is needed to maintain stock and to grant credit
4. Risk: Risk involved is usually high	Relatively less risk is involved	Relatively less risk is involved
5. Side: It represents supply side of goods and services	It represents demand side of goods and services	It represents both supply and demand
6. Utility creation: It creates form utility by changing the form or shape of materials	It creates place utility by moving goods from producers to consumers	It creates possession utility through exchange

3. Distinguish between GDR and ADR

Ans:

Basis	Global Depository Receipts (GDR)	American Depository Receipts (ADR)
Denomination	It is denominated in terms of any freely convertible currency.	It is denominated only in US Dollars
To Whom it is issued ?	It is issued to Investors in one or across more markets simultaneously	It is issued only to Investors who are residents of the United States of America
Listed in	Non US Stock Exchange such as London Stock Exchange or Luxemburg Stock Exchange	American Stock Exchange
Approval	Issue of GDR does not require Foreign Regulatory Clearances	Issue of ADR requires approval from the Securities Exchange Commission (SEC) of United States of America
Negotiation	It is negotiable all over the world	It is negotiable only in America

General Type of Questions

1. What are the hindrances of Commerce?

Ans:

i. Hindrance of place

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

ii. Hindrance of time

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

iii. Hindrance of risk of loss

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

iv. Hindrance of knowledge

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

v. Hindrance of finance

- Producers and traders may not have the required funds at the time of their need.
- Banks and other financial institutions provide funds and help in transfer of funds to producers and traders to carry on the business activities smoothly.

2.State the constraints in Barter System.

Ans:

i). Lack of double coincidence of Wants

If the coincidence of wants does not exist, barter cannot take place. For instance 'A' is having a surplus of groundnut and 'B' is possessing rice in surplus. In this case A should be in need of rice possessed by B as latter should desperately need groundnut possessed by A.

ii). Non – existence of common measure of value

It was difficult to compare the values of all articles as there was no common measure of value in the absence of an acceptable medium of exchange.

iii). Lack of direct contact between producer and consumers

It was not possible for buyers and sellers to meet face to face in many contexts for exchanging goods for goods.

iv). Lack of surplus stock

If the buyers and sellers do not have surplus stock then barter cannot take place.

3.What is meant by multinational company?

Ans:

A Multinational Company (MNC) is a huge industrial organisation which

- i) Operates in more than one country
- ii) Carries out Production, Marketing and Research Activities on International Scale
- iii) Seeks to maximise profits world over
 - A Domestic Company or a Foreign Company can be a MNC
 - e.g. Microsoft Corporation

4. Briefly explain the coastal trade in Tamil Nadu.

Ans:

- The 'Maruvurappakam' and 'Pattinapakkam' had market and bazaars.
- Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy markets with imports and exports.
- Coastal region people engaged in coastal trade and developed their intercontinental trade contacts.
- Boats like 'Padagu', 'Thimil', 'Thoni', 'Ambu' 'Odampunai' etc... were used in domestic trade.
- Kalam, Marakalam, Vangam, Navai etc.. were used for crossing oceans for foreign trade.

5. write short notes on (a) Analytical Industry (b) genetic Industry (c) construction industry

Ans:

a) Analytical Industry :

- It analysis and separates different elements from the same material.
- Example – An oil refinery separates crude oil into kerosene, gasoline, diesel, oil and petrol, etc.

b) Genetic Industry :

- These industries are engaged in breeding plants and animals for their use in further reproduction.
- The Nursery, Poultry, Dairy, Hatcheries, Fisheries, etc.

c) Construction Industry :

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

Functions type of Questions

1. Classify the various functions of RBI,

Ans:

The Five Functions of the RBI can be grouped under three heads.

A. Leadership and Supervisory Functions

B. Traditional Functions and

C. Promotional Functions.

The following are the five functions of RBI

- i) **India's representative in World Financial Institutions**
 - In order to maintain consistency and harmony with International banking standards the RBI is associated with Basel Committee on Banking Supervision since 1997.
 - RBI represents government of India in International Bank for Reconstruction and Development (IBRD . i.e. World Bank) and International Monetary Fund (IMF) in which India is a member since December 27, 1945.
- ii) **Monetary Authority**
The RBI Formulates, implements and monitors the monetary policy of the country in order to maintain price stability, controlling inflationary trends and economic growth.
- iii) **Monopoly of Note Issue**
 - The RBI is the sole authority for the printing and issue of all Currency Notes in India, except 1 Re. Note
 - 1 Re. Note and all coins are issued by the Ministry of Finance.
 - It is the duty of the RBI to ensure that sufficient number of good quality currency notes is available to public.
 - Currency Notes are printed at Nasik, Dewas, Salboni, Mysore and Hoshangabad
- iv) **Banker's Bank**
 - The RBI maintains the current accounts of all Commercial Banks in the country.
 - All scheduled Banks should deposit a percentage of cash reserve with RBI
 - All banks can receive loans from RBI by rediscounting of bills and against approved securities.
- v) **Lender of the Last Resort**
 - In times of emergency, any Bank in India can approach RBI for Financial Assistance.
 - RBI provides them Credit
 - When other sources of getting credit are exhausted, all banks can obtain Loan from RBI and hence it is called lender of last resort.

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

Ans:

The primary functions of a commercial bank are of three types.

They are:

- a) Accepting Deposits
- b) Granting Loans and Advances.
- c) Creation of Credit
- a) Accepting Deposits**
 - In these days banks compete with each other to attract customers by adding facilities.
 - Broadly deposit accounts can be classified into **(i) Demand Deposits and (ii) Time Deposits.**

(i) Demand Deposits - These deposits are repayable on demand on any day.

- Savings Deposits
- Current Deposits

(ii) Time Deposits - They include fixed deposits and recurring deposits which are repayable after a period.

- Fixed Deposits (FD)
- Recurring Deposits (RD)

b) Granting Loans and Advances

- It is lending money in order to earn interest income.
- Banks provide specific sums as loans which are repayable along with interest.
- But both terms are used interchangeably.

i) Advances

- Overdraft
- Cash Credit
- Discounting of Bills

ii) Loans Generally commercial banks provide the following loans

- Housing Loan
- Consumer Loans
- Vehicle Loans
- Educational Loan
- Jewel Loan

c) Creation of Credit

- Apart from the currency money issued by the RBI, the credit money in circulation created by commercial banks influence economic activities of a country to a large extent.
- Credit money of commercial banks is far greater in volume than the currency money.
- The volume, the purposes and the sector to which this credit money is to be channelized.

3. Discuss the various secondary functions performed by the commercial banks.

Ans:

- *Apart from the basic or primary functions commercial banks render various other services which are known as secondary functions.*
- *These services can be broadly classified into **Agency Services and General Utility Services.***

I. Agency Functions

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

- Transfer of Funds
- Collection and Payment of Cheques
- Conduct Share Market Transactions
- Preparation of Income Tax Return
- Dealing in Foreign Exchange
- Acting as Correspondent

II. General Utility Functions

In addition to primary, secondary and agency functions, commercial banks offer some services for the general welfare of the customers. They are called general utility services. They are as follows.

- Safety lockers
- Letters of credit
- Travelers cheques
- Gift cheques
- Reference service

Characteristics / Features type of Questions

1.Explain the Characteristics of Business.

Ans:

i. Production or Procurement of Goods:

- Goods must be produced or procured in order to satisfy human wants.

ii. Sale, Transfer or Exchange:

- There must be sale or exchange of goods or services.
- When a person weaves cloth for his personal consumption, it is not business because there is no transfer or sale.

iii. Dealing in Goods and Services:

- Goods produced may be consumer goods like cloth, pen, brush, bag etc.,
- Services refer to activities like supply of electricity, gas or water, transportation, banking, insurance.

iv. Regularity of Dealings:

- An isolated dealing in buying and selling does not constitute business.
- The Business transactions must be regular.

v. Profit Motive

- An important feature of business is profit motive.
- Business is an economic activity by which human being make their living.

vi. Element of Risk

Business Activity involves risk like change in consumer preferences, shortage of raw materials, power crisis, etc. which may result in loss.

2.Explain the Characteristics of Sole Trading Business.**Ans:**

Following are the characteristics of Sole Trading Business:

i) Ownership by one man

- This is owned by single person
- The Sole Trader contributes the required capital.
- He is the owner and manager of the entire business

ii) Freedom of Work and Quick Decision

- As he is the only owner of his business, he need not consult anybody in decision making
- Hence, he can take quick decision

iii) Unlimited Liability

- When Business Assets are not sufficient to pay off the business debts, he has to pay from his personal property.

iv) Enjoying Entire Profit

- He enjoys all the profits of his hard work.
- As there is no one else to share the profit with, he himself enjoys the full profit of the business.

v) Maintenance of Secrecy

Since the sole trader manages all the affairs of the business, the secrecy can be maintained easily.

3.What are the features of Public Corporation?

Ans:

i. Special Statute:

- A public corporation is created by a special Act of the Parliament or the State Legislature.
- The Act defines its powers, objectives, functions and relations with the ministry and the Parliament or State Legislature.

ii. Separate Legal Entity:

- A public corporation is a separate legal entity with perpetual succession and common seal.
- It has an existence, independent of the government.
- It can own property, can make contracts and file suits, in its own name.

iii. Capital Provided by the Government:

- The capital of a public corporation is provided by the Government or by agencies controlled by the government.

iv. Financial Autonomy:

- A public corporation enjoys financial autonomy.
- It prepares its own budget; and has authority to retain and utilize its earnings for its business.

v. Management by Board of Directors:

- Its management is vested in a Board of Directors, appointed or nominated by the Government.
- But there is no governmental interference in the day to day working of the corporation.

4.What are the features of Government Company?

Ans:

i. Registration under the Companies Act:

- A Government company is formed through registration under the Companies Act, 1956; and is subject to the provisions of this Act, like any other company.
- However, the central government may direct that any of the Companies Act shall not apply to a government company or shall apply with certain modifications.

ii. Executive Decision of Government:

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

iii. Separate Legal Entity:

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

iv). Own Staff:

- A Government company has its own staff; except Government officials who are sent to it on deputation.
- Its employees are not governed by civil service rules.

v). Free from Procedural Controls:

A Government company is free from budgetary, accounting and audit controls, applicable to Government undertakings.

5.Elucidate the features of factoring?

Ans:

a)Maintenance Of Book -Debts

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

a) Credit Coverage

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

b) Cash Advances

Around 80% of the total amount of accounts receivables is paid as advance cash to the client.

c) Collection Service

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

d) Advance To Clients

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

6.State any five features of FCCB.

Ans:

- FCCB is issued by an Indian company in foreign currency.
- These are listed and traded in foreign stock exchange and similar to the debenture.
- It is a convertible debt instrument.

- It carries interest coupon. It is unsecured.
- It can be converted into equity or depository receipt after a certain period.
- It gives its holders the right to convert for a fixed number of shares at a pre-determined price.

Principles Type Of Questions

1.What are the principles of Co-operatives?

Ans:

(i) Voluntary and Open Membership

- Membership is open to all
- Any person with common interest can become a member
- The membership fee is kept low so that everyone can join and benefit from co-operative society

(ii) Democratic Member Control

- Co-operative Society is run on the principle of one man one vote
- It implies that members have equal rights in managing the affairs of the business
- Members cannot dominate the management by buying majority shares

(iii) Members' Economic Participation

- Members contribute equally to the capital of the co-operative and democratically controlled
- This helps the members to conduct business with co-operation rather than on the capital invested

(iv) Autonomy and Independence

- Co-operatives are autonomous self help organisations
- Controlled by their members

(v) Education, Training and Information

- Co-operatives provide Education & Training to Members, Elected representative Managers and Employees
- So that they can contribute effectively for the development of their Co-operative
- This will help the Members to develop their Co-operative effectively.

(vi) Co-operation among Co-operatives

- It strengthens the Co-operative movement by working together through local, national, regional and international structures.

2.What are the principles of Insurance?

Ans:

i) Utmost good faith :

- According to this principle both insurer and insured should enter into contract, in good faith.
- Insured should provide all the information about the subject matter
- Insurer should provide all the details regarding insurance contract

ii) Insurable Interest :

- Insurable Interest means the insured will suffer any financial loss due to damage or destruction of the property or person.

iii) Indemnity :

- Indemnity means compensate against loss or damages
- In insurance, the insured would be compensated with amount equivalent to the actual loss
- And not the amount exceeding the loss

iv) "Causa Proxima" :

- The word 'Causa Proxima' means nearest cause
- According to this principle when the loss is the result of two or more cause, the proximate cause is taken into consideration

v) Subrogation :

- Subrogation means stepping the shoes on others.
- According to this principle, once the claim is settled, the ownership right of the subject matter of insurance passes on to the insurer.

vi) Mitigation :

- In case of mishap, the insured must take up all possible steps to reduce or mitigate the loss or damage to the subject matter of insurance.

Advantages / Disadvantages type of Question/Answers

1. What are the advantages of sole trading business?

Ans:

The advantages of Sole Trading Business are:

i) Easy Formation

- No Legal formalities are required to start the business
- Any person capable of doing business can start it, provided he has the necessary resources for it.

ii) Small Capital

- Sole Trader can start a business with small capital
- He invests from his savings or borrows from his friends and Relatives.

iii) Credit Standing

- Since his personal property can be used to pay business debts, he gets more financial assistance from others.

(iv) Personal Contacts with the Customers

- Since the business is small, he knows each and every customer individually and he can supply goods according to their taste and preferences.
- Thus, he can have personal contacts with the customers

(v) Flexibility

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

2. What are the disadvantages of sole trading business?**Ans:****The disadvantages of Sole Trading Business are:****i) Limited Capital**

Since the capital is contributed by a single person, business operations have to be done on a limited scale

ii) Limited Managerial Skill

Since the sole trader has to perform all the managerial functions like sales, purchase, marketing, etc., his managerial ability is bound to be limited.

iii) Unlimited Liability

- The major disadvantage of sole trading is unlimited liability
- If the business assets are not sufficient to pay off the business debts, the sole trader has to pay from his personal property.

iv) Lack of Specialisation

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

v) Hasty Decisions

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

3. What are the advantages of Co-operative societies?**Ans:****(i) Voluntary Organisation :-**

- Membership is Open to All
- Any person with common interest can join
- Membership Fee is kept low, so that every one can join and benefit from Co-operative Society.

(ii) Democracy :-

- Co-operative Society is run on the principle of one man one vote
- It implies members have equal rights in managing the affairs of the Enterprise

(iii) Easy Formation :-

- Co-operatives can be formed easily with 25 members
- Legal formalities are simple as compared to a company.

(iv) Limited Liability

- The liability of members are limited to the extent of their Capital Contribution
- The members are personally not liable for the debts of the society

(v) Separate Legal Entity

- It enjoys separate legal entity, distinct from its members
- It's continuance is not affected by the death, insolvency or insanity of its' members

(vi) Each for All and All for Each

- Formed on the basis of Self Help and Mutual Help
- Members help himself and help others.

4. What are the advantages of departmental undertaking?**Ans:*****i. Easy Formation:***

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

ii. Direct and Control of Parliament or State Legislature:

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

iii. Secrecy Maintained:

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

iv. Lesser Burden of Tax on Public:

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

v. Instrument of Social Change:

- Government can promote economic and social justice through departmental undertakings.

5.Explain the advantages of Warehousing.

Ans:

- i)It safe guards the stock of the merchants who do not have storing place.
- ii)It reduces the distribution cost of the traders by storing the goods in bulk and allow the traders to take the goods in small lots to his shop.
- iii)It helps in selection of channel of distribution. The producer will prefer to appoint a wholesaler or retailer.
- iv)It helps in maintaining the continuous sales and avoids the possibilities of 'out of stock' position.
- v)It creates employment opportunities for both skilled and unskilled workers, to improve their standard of living.

6.Discuss the advantages of Railway Transport.

Ans:

- i)Railways are well suited for carrying heavy and bulky goods over long distances.
- ii)It can provide long distance travel throughout the day and night with unbroken services.
- iii)It can provide better protection and safety to the goods than motor transport.
- iv)It has regular schedule of timing and is available throughout the year.
- v)It provides unaffected services whether rainy or shiny weather conditions.

7.Enumerate the advantages of Franchising.

Ans:

- i) Reduced Risk** - The franchisee will acquire the right of running an already established business thus eliminating the risk of starting a new business
- ii) Operational Support** - The franchisee is provided assistance in not only finance also in deciding business location, design staff training and handling day-to-day operations.
- iii) Cost Of Advertising** - The cost of advertising for the franchisor will be reduced since this cost will be shared by the franchisee. Moreover, it enables the franchisor to reap benefits of increased visibility across regional and national boundaries.
- iv) Business Expansion** - Franchising provides an opportunity to expand business at regional, national and global levels without incurring additional expenditure. Thus rapid growth of franchisor's business is facilitated.

10.What are the benefits of Corporate governance?

Ans:

- Ensures stable growth of an organisation.
- Improves the images of the company.
- Ensures efficient allocation of resources.
- Creates a strong brand as on ethical business
- Has a positive impact on the share price
- Reduces the cost of capital for companies
- Improves investors confidence and enables raising of capital
- It Enables corporate success and economic development
- The organisation is managed to benefit the stakeholders
- Eliminates wastages, competition, risks and management.

Contents Type Questions

1.What are the contents of Partnership deed?

Ans:

The Contents of a Partnership Deed are

- Name of the firm
- Nature of the business proposed
- Duration of partnership
- Capital contribution of each partner
- Withdrawal of the partners from the firm
- Rate of Interest on Drawings
- Loan from Partners
- Salary and Commission of Partner

2.What are the contents of Memorandum of Association?

Ans:

The Contents of Memorandum of Association are :

a)Name Clause

- It requires to state the legal and recognised name of the company.
- The company name should not resemble the existing company's name.

b)Situation Clause

It requires to state the physical location of the registered office

of the company. It is required to keep all the company registers in this office.

c)Objective Clause

- It requires to state the main objectives and ancillary objectives of the company.
- The objectives should be free from any provisions that contravene laws or public good.

d)Liability Clause

It requires to state the extent to which shareholders of the Company are liable to the debt obligations the company in the event of the company dissolving.

e)Capital Clause

- It states the company's authorised share capital.
- The different Categories of Shares.
- And the nominal value of the Shares.

3.What are the contents of Articles of Association?

Ans:

The Contents of Articles of Association are :

- i)Amount of Shares, Capital, Value and type of Shares
- ii)Manner of Transfer of Shares
- iii)Declaration of Dividends
- iv)Seal of the Company
- v)Borrowing Powers of the Company
- vi)Rules regarding issue of shares and debentures
- vii)Procedure for conducting meeting, proxy, quorum, etc.

Types/ Kinds of Questions...

1.Explain the types of dissolution of Partnership firm.

Ans: There are two types :

- i)without the order of the Court and
- ii)by the order of Court

i) Without the Order of Court

a. By Agreement or Mutual Consent

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

b. By Insolvency of all the partners or one

*If any of the partners adjudged an insolvent

*Or if all the partners become insolvent

*It is necessary to dissolve the firm

c. When the Objective becomes illegal

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

d. By notice of Dissolution

In the case of partnership at will, when any partners gives in writing to dissolve the firm, the firm will be dissolved.

ii)By the Order of the Court

- a) When a partner becomes insane
- b) Permanent incapacity of any partner
- c) Misconduct of any partner
- d) Transfer of Interest to Third Person
- e) Continued Loss
- f) Breach of agreement which makes the business impracticable.
- g) When the court finds that it is just and equitable to dissolve the firm.

2.What are the types of Co-operative Societies?**Ans:****Types of Co-operative Societies****(A)Consumer Co-operatives**

- Organised by Consumers
- Who want to buy quality goods or services for better prices
- They also supply essential commodities through Public Distribution System (PDS)

(B)Producers Co-operatives

- Are established and Operated by producers
- They are organised to process, market and distribute their own products
- E.g. Co-operative weavers Societies, Co-operative Carpentering Units

(C)Marketing Co-operatives

- Associations of Small producers formed for the purpose of marketing their produce
- They secure better prices for their members
- Advance also given to members against produce deposited with the society.

(D)Credit Co-operatives

- Formed for the purpose of providing short-term financial help to their members
- Agriculturalists, Salaried Employees, Artisans, Industrial workers form these Credit Co-operatives
- Encouraging thrift among members is the objectives of these societies

(E)Housing Co-operatives

- Meant to provide residential accommodation to their members on ownership basis or on rent
- These societies advance loans to members, repayable over a period of 15 to 20 years
- The member tenant however can own the house after paying the cost.

3.Explain the various types of Banks based on the functions.**Ans:**

a) Commercial Banks

- Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. in order to earn profit.
- Their lending is in comparatively small amounts and mostly for short and medium period.
- They operate with a head office and a network of branch offices spread throughout the country.
- Examples : i) State Bank of India
ii) Karur Vysa Bank

b) Industrial Banks

- Huge finance required for investment, expansion and modernisation of big industries and others are granted by a separate type of Banks called Development banks.
- They are also called Industrial Banks.
- The objective of development banks is not profit.
- Their aim is to develop the country and create employment opportunities.
example : IFCI, IDBI

c) Foreign Banks

- Banks which have registered office in a foreign country and branches in India are called foreign Banks.
- These banks open their offices in big cities and port towns only.
- Mostly they serve the interests of multinational companies, employees and other business institutions. In 2017, there were 42 Foreign Banks in India.

Examples : Barclays Banks, Bank of America

d) Local Area Banks.

- Local Area Bank (LAB) scheme was introduced by the RBI in August, 1996.
- LAB's are small private sector banks established in rural and semi-urban areas.
- Each bank serves two or three adjoining districts only.
- Their main objective is to mobilise rural savings and invest them in the same areas.
- Examples : Coastal Local Area Bank, Vijayawada, Andhra Pradesh
Krishnabhima smruddhi Local Area Bank, Mahabub Nagar,
Telangana.

e) Regional Rural Banks

- The RRB's were formed under the Regional Rural Bank Act 1976, jointly by the central Government, State Government and a sponsor bank.
- Their objective is to develop rural economy and play supplementary role to co-operative societies.

- They mobilise deposits from the rural public and provide finance to rural artisans, small entrepreneurs and farmers and try to avoid their dependency on money lenders. They are regulated and supervised by NABARD.

4.Explain the types of Banks based on ownership pattern.

Ans:

- Any Bank in which not less than 51% of shares are owned by the government are called Government Bank or public sector commercial bank
- All nationalised banks, SBI and IDBI Ltd are public sector commercial banks.
- All of them are joint stock company type of banks.
- There are corporation type of banks.
- Each corporation type bank is established by a separate Act of Parliament and is fully owned by Government.
- All Banking companies owned by private people are called private sector commercial bank
- All Co-operative Banks are owned by its members from the public.
- In order to channelise the funds with these commercial banks, towards national priorities and to develop Agricultural and rural sector, Government paid the share capital of those banks to the private owners and took over as Government banks. This is called Nationalisation of Banks.

Examples :

- a) Nationalised Banks – Indian Bank, Indian Overseas Bank, Oriental Bank of Commerce
- b) Public Sector Banks – SBI, IDBI Bank Ltd. And all Nationalised Banks
- c) Private Sector Banks – Karur Vysya Bank , Kotak Mahindra Bank, Lakshmi Vilas Bank

5.Explain the different types of warehouses.

Ans:

A. Private Warehouses

- These warehouses are built and owned by private business enterprises in order to store the products produced by them.
- They are exclusively for their use and are not for other business units.

B. Government Warehouses

- They are created and operated by government
- Their services are mostly available to government only

C. Public Warehouses

- It is open for public at large.
- Most of the business organisations, especially small and medium scale units cannot afford to have their own warehouse.
- They may be owned by an individual or some agency.
- They operate as per the rules and regulations of the government

D. Bonded Warehouse

- These warehouses are licensed by the government
- They store imported goods for which customs duty not paid by the importer.
- Strict supervision and control is imposed by custom authorities on their operation and functioning.

E. Cold storage

- These warehouses are used for storing perishable goods like fruits, vegetables, eggs, butter, fish, meat, etc.
- Goods stored in cold-storages without deterioration in quality, can be made available, throughout the year

6.Explain the various types of Transport.**Ans:**

Transport can be divided into three important types, namely

- (a)Surface Transport
- (b)Water Transport
- (c)Air Transport

(a)Surface Transport

Transport of People and goods by Land Vehicle is known as Surface Transport. It is also called as Land Transport.

The following are the various means of Land Transport

i)Pack Animals

Animals like Horse, Mule, Donkey, Camel, Elephant, etc. are used for carrying small loads in backward areas, hilly tracks, forest regions and deserts known as Pack Animals

ii)Bullock Carts

It constitutes the predominant form of rural road transport in India for goods traffic and to some extent for passengers' traffic.

iii)Motor Lorries and Buses

Introduction of Petrol Engine and Diesel Engine vehicles revolutionised the Road Transport and introducing the elements of speed and greater carrying capacity.

iv)Railways

Introducing of Steam Engine by James Watt, revolutionised the mode of transport all over the world. Railways are the cheapest and quickest means of transport for carrying heavy goods and people over long distance.

(b)Water Transport

Water Transport is the process of moving people, goods, etc. by Boat, Ship or Sail Boat over the sea, ocean, lake, canal, river, etc. Water Transport are of two types :

i)Inland Waterways

Inland waterways comprise of rivers, canals and lakes. It is also known as internal water transport.

ii)Ocean Waterways

Ocean transport has been playing a significant role in development of economic, social and cultural relations among countries of the world.

(c)Air Transport

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

7.Explain the various types of Insurance.

Ans: Insurance can be broadly classified as

i)Life Insurance or Life Assurance**ii)General Insurance****i)Life Insurance**

- It is a contract in which the insurance company undertakes to insure the life of a person in exchange of a sum of money, called premium

ii)Fire Insurance

- It is a contract whereby the insurer undertakes to make good any loss or damage caused by fire in exchange of a sum of money, called premium

iii)Marine Insurance

- It is contract whereby the insurer undertakes to compensate marine losses in exchange of a sum of money, called premium

iv)Health Insurance

- It is a contract between an insurer and an individual or group
- In which the insurer agrees to provide specified health insurance at the agreed upon price

v)Crop Insurance

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

8.How will you classify the Social responsibility?

Ans:

Social responsibility of business can broadly be classified into four categories which are as follows :

i)Economic Responsibility

*A Business Enterprise is basically an economic entity.

*Therefore its primary social responsibility is economic i.e. produce goods and services that society wants and sell them at a profit

ii)Legal Responsibility

- Every Business has a responsibility to operate within the laws of the land.
- And these laws are meant for the good of the society.
- A law abiding enterprise is a socially responsible enterprise as well.

iii)Ethical Responsibility

*This includes the behaviour of the firm that is expected by society, but not codified in law,

* Example respecting the religious sentiments and dignity of people while advertising for a product.

iv)Discretionary Responsibility

*This refers to purely voluntary obligation that an enterprise assumes, for instance, providing charitable contribution to educational institution or

* Helping the affected people during flood or earthquake.

9.Explain the kinds of sources of short-term finance.

Ans:

(i)Loans and Advances

• Loan is a direct advance, made in lumpsum which is credited to separate loan account, in the name of borrower.

• The borrower can withdraw the entire amount in cash immediately. It can be re-paid in one or more instalments. The interest on loans and advances is calculated on the whole amount borrowed.

(ii)Trade Credit

- It is the credit extended by one trader to another for the purpose of purchasing goods and services. Purchaser need not pay money immediately after the purchase.
- It is very simple and convenient method of raising short-term Finance. There is no need to give any security for trade credit.

(iii) Pledge

- A customer transfers the possession of an article with a creditor (banker) and receives loan
- Till the repayment of Loan, the article is under the custody of the creditor
- If the debtors fails to repay the loan, the creditor will auction the article pledged and adjust the outstanding loan

(iv) Mortgage

- It is a type of Loan taken from Bank, by depositing the title deeds of Immovable Assets like Land & Building.
- Business people raise loans by depositing the title deeds of the properties with the bank.

(v) Clean Loan

Banks provide clean loan to certain customer of outstanding credit worthiness on the basis of their character, capacity and capability. It simply grants loan without any physical security.

10. Explain any five personal investment avenues.

Ans:

(A) Public Provident Fund

- It is the safest long-term investment totally tax free
- PPF Account can be opened in Bank or Post Office
- The Money deposited cannot be withdrawn before 15 years
- An investor can earn compound interest from this account

(B) Real Estate Fund

- Buying a Flat or Plot is the best decision of investment options
- The value of real asset may increase depending upon the area of location and other support facilities available therein

(C) Investment in Metals

- Investment in Metals like Gold, Silver and Platinum is one of the oldest and evergreen investment products
- The values of the Metals rise slowly and steadily with market conditions.

(D) Post Office Savings Schemes

There are different types of Postal/Small Savings Schemes namely :

- i)National Savings Certificate (NSC)
- ii)Public Provident Fund Account (PPF)
- iii)Post Office Fixed Deposit Account
- iv)Post Office Recurring Deposit Account

(E)Bank Deposits

Fixed Deposits can be opened from a Minimum period of 7 days to Maximum period of 10 Years

Recurring Deposit Account is another investment option. It can be opened for a minimum period of 1 Year to 10 Years

Procedure / Process type of question/answer

1.Write the procedure for registration of a firm.

Ans:

A statement stating the following particulars should be prepared

- i)Name of the firm
- ii)The Principal Place of Business
- iii)Name of other places where the firm carried on business
- iv)Names and Addresses of all the Partners
- v)Date on which each partner joined the firm
- vi)The duration of the firm

- This statement is signed by all the partners.
- And submitted to the Registrar along with Registration Fee.
- Any change in the above particulars must be communicated to the Registrar within 14 days of such alteration.

“Victory Comes from the LORD”

Proverbs 21:31

**Prepared by Mrs. Prema Samuel
MCC MHSS**