



# 11th COMMERCE

**C. SivaKumar. M.Com,M.Phil,B.Ed.**  
**PG. Assistant In Commerce**  
**Cell No: 63853 81246**

**Student Name:.....**  
**Class / Section:.....**

தெய்வந்தான் ஆகா தெவினும் முயற்சிகள்  
எய்வருத்தக் கூலிதரும்...

Unit	Chapter	Contents	Page No.
<b>Unit - I Fundamentals of Business</b>	1	Historical Background of Commerce in the Sub-Continent	1
	2	Objectives of Business	4
	3	Classification of Business Activities	7
<b>Unit - II Forms of Business Organisation</b>	4	Sole Proprietorship	9
	5	Hindu Undivided Family and Partnership	12
	6	Joint Stock Company	15
	7	Cooperative Organisation	18
	8	Multi National Corporations (MNCs)	22
	9	Government Organisation	25
<b>Unit - III Service Business - I</b>	10	Reserve Bank of India	28
	11	Types of Bank	31
	12	Functions of Commercial Banks	34
	13	Warehousing	38
	14	Transportation	41
	15	Insurance	44
<b>Unit - IV Service Business - II</b>	16	Emerging Service Business in India	47
<b>Unit - V Service Business - III</b>	17	Social Responsibility of Business	50
	18	Business Ethics and Corporate Governance	53
<b>Unit - VI Business Finance</b>	19	Sources of Business Finance	55
	20	International Finance	58
	21	Micro Small and Medium Enterprises (MSMEs) and Self Help Groups (SHGs)	60
<b>Unit - VII Trade</b>	22	Types of Trade	62
	23	Channels of Distribution	64
	24	Retailing	68
<b>Unit - VIII International Business</b>	25	International Business	71
	26	Export and Import Procedures	74
	27	Facilitators of International Business	76
	28	Balance of Trade and Balance of Payment	78
<b>Unit - IX The Indian Contract Act</b>	29	Element of Contract	80
	30	Performance of Contract	83
	31	Discharge and Breach of a Contract	86
<b>Unit - X Direct and Indirect Taxes</b>	32	Direct Taxes	89
	33	Indirect Taxation	92

**UNIT 1. FUNDAMENTALS OF BUSINESS****01. HISTORICAL BACKGROUND OF COMMERCE IN THE SUB-CONTINENT****Choose the Correct Answer**

1. The place where the goods are sold is .....

- a) Angadi                                      b) Market                                      c) Nalangadi                                      d) Allangadi

2. Hindrance of place is removed by .....

- a) Transport                                      b) Warehouse                                      c) Salesman                                      d) Insurance

3. Who wrote "Arthasasthra"?

- a) Kautilya                                      b) Chanakiya                                      c) Thiruvalluvar                                      d) Elangovadiga

4. Trade and Commerce was common to ..... Dynasty.

- a) pallava                                      b) Chola                                      c) Panidya                                      d) Chera

5.....Was first sultan who paved way in the dense forest and helped traders to move from one market place to others place for their commercial caravans.

- a) Balban                                      b) Vascoda Gama                                      c) Akbar                                      d) Alauddin Khilij

**Very Short Answer Questions**

1. What is meant by the Barter system?

- "Goods were exchanged for goods **prior** to the **invention** of **money**".
- "**Exchange of goods for goods**", each party to Barter must have surplus stocks for the trade to take place.

2. What is meant by Nalangadi?

- The place where the goods were sold was called '**Angadi**'
- A **Day Market** was called Nalangadi.

3. What is meant by Allangadi?

- The place where the goods were sold was called '**Angadi**'
- The **Night Market** was called Allangadi.

**Short Answer Questions**

1. Explain the Meaning of the Term "Vanigam".

- 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** and that is how the trade came into existence.
- The word **Vanigam** is used in Sangam literature like **Purananuru** and **Thirukkural**.
- It establishes a link between the producers and consumers of goods and maintains a smooth and uninterrupted flow of goods from producers to consumers.

(Or)

- Commerce refers to all those activities which are necessary for bringing goods from the place of production to the place of their consumption.

2. State the Meaning of Maruvurapakkam and Pattinapakkam.

✧ **Maruvurapakkam**

- **Poompuhar** had the '**Maruvurappakam**' (**Inland Town**)
- It had markets and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff.
- **Example:**
  - "**Tondi, Korkai, Puhar and Muziri**".

❖ **Pattinapakkam**

➤ **'Pattinapakkam' (Coastal Town)**

- They were engaged in different kinds of **fishing pearls**, and **Conches** and produced **Salts** and **Built Ships**.

**3. What are the Ports Developed by Pandiya Kingdom?**

- Korkai
- Saliyur
- Kayal
- Marungaur pattinam
- Kumari
- **"Tondi, Korkai, Puhar and Muziri"**

**Long Answer Questions**

**1. What are the Hindrances of Business or Commerce?**

1. Hindrance of Person
2. Hindrance of Place
3. Hindrance of Time
4. Hindrance of risk of loss
5. Hindrance of knowledge
6. Hindrance of Finance

**1. Hindrance of Person - Middlemen**

- Manufacturers do not know the place and face of the consumers.
- The chain of **Middlemen** consisting of **wholesalers, agents, and retailers** establish the link between the producers and consumers.

**2. Hindrance of Place – Transports**

- 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 the consumer.

**3. Hindrance of Time – Warehouse**

- Consumers want products whenever they have **money, time**, and **willingness to buy**.
- Goods are produced in anticipation of such **demands**.

**4. Hindrance of risk of loss – Insurance**

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

**5. Hindrance of knowledge - Advertising and communication**

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

**2. Briefly explain the coastal trade in ancient Tamilnadu.**

- Big cities like **Poompuhar** had **'Maruvurappakkam'**(inland town)
- **'Pattinapakkam'**(coastal Town), Had markets and bazaars
- **Port Towns** like **Tondi, Korkai, Puhar, and Muziri** were involved in imports and exports.
- People were engaged in different kinds of **fishing pearls**, and **conches** and produced **salts**, and **built ships**.

- **Boats** like 'Padagu', 'Thimil', 'Thoni', 'Ambu', 'Odampunai' etc. were used to cross rivers for **domestic trade**
- While **Kalam, Marakalam, Vangam, Navai etc.** were used for crossing oceans for **foreign trade**.

### 3. State the Constraints in the Barter System.

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

#### 1. Lack of double coincidence of Wants

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

#### 2. Non-existence of common measure of value

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

#### 3. Lack of direct contact between producer and consumers

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

#### 4. Lack of surplus stock

- The absence of surplus stock was one of the impediments in the barter system. If the buyers and sellers do not have a surplus then no barter was possible.

முயல்வதே வெற்றியின் முதல் முக்கிய படி!

நேரத்தை வீணாக்கும்போது கடினாரத்தைப் பார்  
ஒடுவது முள் அல்ல உன் வாழ்கை....

**02. OBJECTIVE OF BUSINESS****Choose the Correct Answer**

1. The Primary objective of a business is .....

- a) Making Profit  
 b) Not Making Profit  
 c) Special Skill  
 d) None of the above

2. Occupation of a Doctor is .....

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

3. The following does not characterize business activity?

- a) Production of Goods and Services      b) Presence of Risk  
 c) Sale or Exchange of Goods and Services      d) Salary or Wages

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

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

**Very Short Answer Questions**

1. What is meant by Economic Activities?

- Economic activities are those **activities** which are undertaken to **earn money** or **financial gain** for **livelihood**.
- “Activities undertaken with the object of **earning money**”

2. What do you mean by Business?

- “**Economic activities performed for earning profits**”
- Business refers to any **human activity** undertaken on a **regular** basis with the object to **Earn Profit** through production, distribution, sale, or purchase of goods and services.

3. What do you mean by Employment?

- ✧ The occupation through which people work for others and **get remuneration** in the form of **wages or salaries** is known as **employment**.

**Example: Managers, Clerks, Bank officials, Factory workers etc.**

**Short Answer Questions**

1. What do you mean by Human Activities? Explain.

- ✧ Activity performed by a human being to meet his/her **needs** and **wants** or maybe for **personal satisfaction**.
- ✧ Human activities can be categorized into economic and non – economic activities.
- ✧ Economic Activities – **Earning Money (Selling by retailers, Production of goods by Manufacturers) Employment – Manager, Profession – Doctor.**
- ✧ Non Economic Activities – Undertaken to satisfy social and psychological (**Cooking food for family, Celebrating festivals, Doing meditation, social work, religious activity**)

2. Write Short Notes on:      (a) Business      (b) Profession

(a) **Business:**

- Business refers to any human activities undertaken on a regular basis with the objective to **earn profit through production, distribution, purchase, and sale of goods and senders**.
- It is connected with **raising, producing, or processing goods**. Business activities are classified on the basis of size, ownership, and function.

**(b) Profession:**

- The occupation involves the rendering of personal services of a **special and expert nature**. It is a **career** for someone who is competent in their respective areas.
- The persons engaged in the profession are called professionals and they earn income by **charging professional fees**.
- **Example: Doctor, Lawyer, Chartered Accountant, Engineer, Architect.**

**3. Explain the Classification of a 'Business'**

- Business Activities are classified on the basis of **size, ownership and function**
- **Activities on the basis of Size:** Small Scale, Large Scale.
- **Activities on the basis of Ownership:** Private, Public, Joint enterprises.
- **Activities on the basis of Function:** Industry, Commerce.
- **Small Scale:** Small scale units require **less capital**, employ **small** number of workers and produce the goods on small scale
- **Large Scale:** Large scale units require **huge capital**, employ **large** number of workers and produce the goods on large scale.

**Long Answer Questions****1. Explain the Characteristics of Business.**

1. Production or Procurement of Goods
2. Sale, Transfer, or Exchange
3. Dealing in Goods and Services
4. Regularity of Dealings
5. Profit Motive
6. Element of Risk

**1. Production or Procurement of Goods:**

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

**2. Sale, Transfer, or Exchange:**

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

**3. Dealing in Goods and Services:**

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

**4. Regularity of Dealings:**

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

**5. Profit Motive:**

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

**6. Element of Risk:**

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

## 2. Compare Business With Profession And Employment.

S.No	Transactions	Business	Profession	Employment
1.	Qualification	No Qualification	Qualification must	Minimum qualification
2.	Basic Motive	Earning profits	Service	Earning wages or salary
3.	Capital	Small Capital	Limited Capital	No Capital required
4.	Risk	Uncertain	Certain	Fixed
5.	Transfer of interest	Possible	Not Possible	Not transferable

## 3. Discuss Objectives of the Business.

1. Economic Objectives
2. Social Objectives
3. Organizational Objectives
4. Human Objectives
5. National Objectives

### 1. Economic Objectives

- To the objective of **earning profit**.
- To achieve the profit objective, this includes **creation** of **customers**, **innovations** and **best possible** use of **available** resources.

### 2. Social Objectives

- It's desired to be **achieved** for the **benefit** of the **society**.
- Since business **operates** in a society by **utilizing** its **scarce resources**.

### 3. Organizational Objectives

- It's an organization intends to accomplish during the course of its existence in the economy like **expansion** and **modernization**, **supply** of **quality** goods to **consumers**, **customers' satisfaction**.

### 4. Human Objectives

- It's aimed at the well being as well as **fulfillment** of **expectations** of **employees** as also of people who are **disabled**, **handicapped** and deprived of proper **education** and **training**.
- It may thus include economic well being of the **employees**, **social satisfaction** of **employees**.

### 5. National Objectives

- To provide **employment opportunities** to its citizen for **earn revenue**.
- Business activities should be conducted keeping these **goals** of the country in mind.

நான் எடுக்கும் முடிவு சரியா என்று எனக்கு தெரியாது..  
ஆனால் எடுத்த முடிவை சரியாக்குவேன்.



**03. CLASSIFICATION OF BUSINESS ACTIVITIES****Choose the Correct Answer**

- The industries engaged in extraction of iron ore are known as .....
  - Construction Industries
  - Manufacturing Industries
  - Extraction Industries
  - Genetic Industries
- Production which involves several stages for manufacturing finished products is known as .....
  - Analytical Industry
  - Synthetic Industry
  - Processing Industry
  - None of the above
- Normally high level risk involved in .....
  - Industry
  - Commerce
  - Trade
  - All of the above
- Auxiliaries to trade is also called as.....
  - Trade
  - Advertisement
  - Warehousing
  - Aids to Trade
- Commerce is mainly concerned with.....
  - Connecting producer and consumer
  - Pricing of Goods
  - Buying and Selling of goods
  - Manufacturing of goods

**Very Short Answer Questions****1. Define Commerce**

- “Commercial operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products”.

- “Evelyn Thomas”

**2. What do Mean by Industry?**

- The term industry is also used to mean group of firms producing similar or related goods.
- Industry refers to economic activities which are connected with conversion of resources into useful goods.

**3. What is Trade?**

- ✧ The term ‘trade’ is used to denote buying and selling.
- ✧ It is an essential part of commerce.

**Short Answer Questions****1. What do you Mean by Tertiary Industries?**

- ✧ They do not produce goods.
- ✧ The industries which produces utility services and sell them at the profit.
- ✧ These industries help trade, commerce and industry.
- ✧ The auxiliaries to trade Banking, Insurance, Warehouse, Advertisement etc.

**2. Write a Short Note on Transportation.**

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

**Long Answer Questions****1. Write Short Notes on**

- Analytical industry
- Genetic Industry
- Construction Industry

**a. Analytical industry**

- These industries are called **Secondary industries**. These industries analyses and separates different elements from the **same material**, as in the case of **oil refinery**.

**b. Genetic Industry**

- The word '**Genetic**' means **parentage** or **hereditary**.
- These industries remain engaged in **breeding plants** and **animals** for their **use** in **further reproduction**.
- **Example:**
  - The **seeds, nursery companies, poultry, piggery, hatcheries, nursery fisheries, apiary**.

**c. Construction Industry**

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

**2. Compare Industry, Commerce, and Trade (Any 5)**

S.No	Transactions	Industry	Commerce	Trade
1	Scope	Consists all activities involving conversion of materials into <b>finished goods</b> .	Comprises trade <b>auxiliaries</b> to trade	Comprises <b>exchange</b> of goods and service
2	Capital	<b>Large</b> Capital	<b>Medium</b> of Capital	<b>Small</b> Capital
3	Risk	<b>High</b> Risk	<b>Low</b> Risk	<b>No</b> Risk
4	Side	It represents <b>Supply</b> Side	It represents <b>Demand</b> Side	It represents <b>both</b> Supply and Demand
5	Utility	It creates <b>form</b> Utility	It creates <b>Place</b> Utility	It creates <b>Possession</b> Utility
6.	Meaning	Extraction, <b>reproduction</b> , conversion, processing and construction of useful products.	Activities involving <b>distribution</b> of goods and services.	<b>Purchase</b> and <b>sale</b> of goods and services.

நீங்கள் உறங்கும் போது வருவது அல்ல கனவு உங்களை உறங்க விடாமல் செய்வதே கனவு.

**UNIT 02. FORMS OF BUSINESS ORGANIZATION****04. SOLE PROPRIETORSHIP****Choose The Correct Answers**

**1. Which is the oldest form of Business organisation?**

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

**2. In which form the owner, establisher and manager is only one?**

- a. Joint Enterprise    b. Government Company  
c. Co-operative Society    **d. Sole Proprietor**

**3. A major disadvantage of sole proprietorships .....**

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

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

- a. Joint stock company    **b. Sole Trading Business**  
c. Government company    d. Co-operatives

**Very Short Answer Questions**

**1. Who is Called a Sole Trader?**

- ☞ Business organization which is **owned** and **controlled** by a **single individual**.
- ☞ Proprietorship is a form of business organisation in which an **individual introduces** his **own capital**, uses his **own skill** and **intelligence** in the management.

**2. What are Non-Corporate Enterprises?**

- ☞ The businesses which have **no legal separation** from the **owners** of the **business** are known as non-corporate enterprises.
- ☞ **Example: Sole proprietorship and Partnership and Joint Hindu Family**

**3. What are Corporate Enterprises?**

- ☞ **Government** – Public Undertakings, Public Utilities.
- ☞ **Private** – Joint-stock companies
- ☞ **Co-operative society**

**Short Answer Questions**

**1. How is it Possible to Maintain Secrecy in Sole Proprietorship?**

- ☞ In a sole proprietorship, as the trader is the sole owner of the business, the **secrecy** can be **maintained easily**.

**2. What is an Unlimited Liability?**

- ☞ When his business assets are **not sufficient** to **pay** off the **business debts** he has to pay from his **personal property**.

**3. Give some Examples of the Sole Trading Business.**

- ☞ Fruit sellers,
- ☞ Tailoring units,
- ☞ Petty shops,
- ☞ Super Markets,
- ☞ Handicrafts,
- ☞ Beauty parlor.

**Long Answer Questions****1. Explain the Characteristics of Sole Trading Business.**

1. Ownership by one man
2. Freedom of work and Quick Decisions
3. Unlimited Liability
4. Enjoying Entire Profit
5. Maintenance of Secrecy

**1. Ownership by one man**

- ☞ This is owned by **single person**.
- ☞ The sole trader **contributes** the **required capital**.

**2. Freedom of work and Quick Decisions**

- ☞ Since the individual is himself as an **owner**, he **need not consult anybody** else.
- ☞ Hence he **can** take **quick decisions**.

**3. Unlimited Liability**

- ☞ When his business assets are **not sufficient** to **pay** off the business debts he has to pay from his **personal property**.

**4. Enjoying Entire Profit**

- ☞ He strives tirelessly for the improvement and expansion of his business and **enjoys all** the **benefits** of his hard work.

**5. Maintenance of Secrecy**

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

**2. What are the Advantages of the Sole Trading Business?**

1. Easy Formation
2. Incentive to Work hard
3. Small Capital
4. Credit Standing
5. Flexibility

**1. Easy Formation**

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

**2. Incentive to Work hard**

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

**3. Small Capital**

- ☞ Small capital is an important as well as the **specific** advantage of a sole proprietorship.
- ☞ A sole proprietor can start a business with **small capital**.

**4. Credit Standing**

- ☞ Since his **private properties** are held liable for satisfying business debts, he can get more financial assistance from others.

### 5. Flexibility

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

### 3. What are the Disadvantages of the Sole Trading Business?

1. Limited Capital
2. Limited Managerial Skill
3. Unlimited Liability
4. Lack of Specialization
5. Hasty Decisions

#### 1. Limited Capital

- ☞ Since the capital is contributed by **one individual only**.

#### 2. Limited Managerial Skill

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

#### 3. Unlimited Liability

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

#### 4. Lack of Specialization

- ☞ Since the business unit is small and the financial resources are limited
- ☞ **Experts** in **different** fields **cannot** be **employed** to secure maximum advantages.

#### 5. Hasty Decisions

- ☞ A sole proprietor is more likely to take **hasty decisions** as he need **not consult anybody** else.

முயற்சி ஒன்றை மட்டும் கைவிடாதே!

ஆயிரம் முறை தோற்றாலும் வெற்றி நிச்சயம்!

“உன் மீது நம்பிக்கை இருந்தால் தோல்வி கூட உன்னை நெருங்க வாய்ப்பும்”

**05. HINDU UNDIVIDED FAMILY AND PARTNERSHIP****Choose The Correct Answers****1. The firm of Hindu Undivided Family is managed by whom?**

- a. Owner                                      **b. Karta**                                      c. Manager                                      d. Partner

**2. In the firm of Hindu Undivided Family, how one gets the membership?**

- a. By Agreement                                      **b. By Birth**                                      c. By Investing Capital                                      d. By Managing

**3. The members in the joint Hindu family are called .....**

- a. Karta                                      **b. Coparceners**                                      c. generations                                      d. partners

**4. 'Only the male members in the family get the right of inheritance by birth' as.....**

- a. Hindu law                                      **b. Mitakshara Law**                                      c. Dayabhaga law                                      d. None of these

**5. A partnership is formed by .....**

- a. Agreement**                                      b. Relationship among persons  
c. The direction of government                                      d. Friendship

**6. Registration of partnership is.....**

- a. compulsory                                      **b. optional**                                      c. not necessary                                      d. none of the above

**7. A temporary partnership which is formed to complete a specific job doing a specified period of time is called.....**

- a. Partnership-at-will**                                      b. Particular partnership  
c. Limited Partnership                                      d. Joint Venture

**8. The partnership deed also called.....**

- a. Articles of Association                                      **b. Articles of Partnership**  
c. Partnership Act                                      d. Partnership

**9. A partnership is registered with.....**

- a. Registrar of Companies                                      b. Registrar of Co-operatives  
**c. Registrar of Firms**                                      d. District Collector

**Very Short Answer Questions****1. Who is called KARTA?**

- ☞ All the affairs of a Joint Hindu Family are **controlled** and **managed** by **one person** who is known as '**Karta**' or '**Manager**'.

**2. What are the Two Schools of Hindu Law?**

- ☞ **Dayabhaga** is prevalent in **Bengal** and **Assam**.  
☞ **Mitakshara** is prevalent in the **rest** of the **country**.

**3. Who is called a Partner?**

- ☞ The persons **who enter** into partnership are **individually** called 'Partners'.

**4. Who is a Sleeping Partner Or Dormant Partner?**

- ☞ The partner **contributes capital** and **shares** in the **profits** or **losses** of the firm but **does not take part** in the **management** of the business.

**5. How Many Types of Dissolution?**

- ☞ **Two types:**      a. Dissolution of firm                                      b. Dissolution of Partnership

☞ **A. Without order of count:**

- Mutual Agreement, Compulsory dissolution, by notice

☞ **B. By order of count:**

- Insanity, Misconduct, Permanent Incapacity

**Short Answer Questions****1. Write Any Three Features of HUF**☞ **Governed by Hindu Law:**

- The business of the Joint Hindu Family is **Controlled** and **managed** under the Hindu law.

☞ **Minor also a co-parcener:**

- In a Joint Hindu Family firm even a **new born baby** can be a co-parcener.

☞ **Management:**

- Joint Hindu Family are controlled and managed by **one person** who is known a '**Karta**'.

**2. What are the Minimum and Maximum Numbers of Members in the Partnership Concern?**

☞ The **Minimum** number of members is **2**.

☞ **Maximum - 10** in **banking sector**, **20** in **Non banking sector** (all other cases)

☞ Partnership **Minimum 2, Maximum 50.** (Indian Partnership Act 1932).

☞ Partnership **Minimum 2, Maximum 100.** (Company Act 2013).

**3. What is the Meaning of Partnership Deed?**

☞ Through a partnership **agreement need not necessarily** be in **writing**, it is important to have a written agreement in order to **avoid misunderstandings**.

☞ It is **desirable** to have a **written** agreement.

☞ In India the agreement may be **oral** or **writing**.

☞ It should be **properly stamped** and **registered**.

☞ **Example:**

- **Name of the firm,**
- **Nature of the proposed business,**
- **Interest on capital,**
- **Profit and loss sharing.**

**Long Answer Questions****1. What are the Contents of the Partnership Deed? (Any 5)**

1. Name of the Firm.
2. Nature of the proposed business.
3. Capital Contribution
4. Interest on capital
5. Loan from partners
6. Retirement

**7. Goodwill valuation**

- Admission, death or retirement of partner.

**8. Duration of the partnership**

- Business whether it is to be run for a fixed period of time or whether it is to be dissolved after completing a particular venture.

**9. Withdrawal from the firm**

- The amount that can be withdrawn from the firm by each partner.

**10. Profit and loss sharing**

- The ratio in which the profits or losses are to be shared equally.

**11. Account keeping**

- o Maintenance of accounts and audit.

**2. Explain the Types of Dissolution of the Partnership Firm. (Any 5)****A. Without the order of the court:****1. By Agreement or mutual consent:**

- a. A firm may be dissolved when **all** the **partners agree** to close the affairs of the firm.
- b. just as a partnership is **created** by contract, it can also be **terminated** by contract.

**2. By insolvency of all the partners but one:**

- a. if any of the partners adjudged an **insolvent** it is necessary to dissolve the firm.

**3. When the objective becomes illegal:**

- a. When the business carried on by the partnership become **illegal**, the partnership firm is **automatically** dissolved.

**4. By notice of dissolution:**

- a. In the case of partnership at will when any partner gives in **writing** to all the other partners indicating his intention to dissolve the firm, the firms will be dissolved.

**B. Dissolution through court:**

1. When a partner becomes insane.
2. The principal place of business.
3. Name of other places where the firm carried on business.
4. Names and addresses of all the partners.
5. The date on which each partner joined the firm.
6. The duration of the firm.

**3. Write the Procedure for Registration of a Firm. (Any 5)**

1. Name of The firm.
2. The principal place of business.
3. Name of other places where the firm carried on the business.
4. Names and addresses of all the partners.
5. The date on which each partner joined the firm.
6. The duration of the firm.

**ஓடு! இந்த உலகத்தை நீ சுற்றிப் பார்க்கும் வரை அல்ல!  
இந்த உலகம் உன்னைத் திரும்பிப் பார்க்கும் வரை!**



**06. JOINT STOCK COMPANY****Choose The Correct Answers**

**1. The relationship between outsiders and the company is defined in.....**

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

**2. Table A of the Companies Act is a .....**

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

**3. Which of the following is created by a Special Act of Parliament or in State Assemblies?**

- a) Chartered company  
 b) Foreign company  
 c) Government company  
 d) **Statutory Company**

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

- a) Creditors  
 b) Debtors  
 c) Debenture holders  
 d) **Shareholders (members)**

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

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

**Very Short Answer Questions**

**1. What are the Different Types of Companies?**

- ☞ One the basis of **incorporation** – Chartered, Statutory, Association not for profit
- ☞ **Membership** – Public, Private.
- ☞ **Liability** – Limited by shares, Limited by guarantee, Unlimited Liability.
- ☞ **Control** – Holding, Subsidiary, Government Company.
- ☞ **Nationality** – Domestic, Foreign company, MNC.

**2. Define a Company.**

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

**3. What is meant by Limited Liability?**

- ☞ The liability of the members of the company is **limited** to **contribution** to the **assets** of the company up to the **face values** of **shares** held by him.
- ☞ The liability of a **shareholder** is **limited**. The **risk** of loss is **limited** to the **unpaid amount** on the face value of shares held.

**4. Explain Any Two Characteristics of a Company.**

**1. Limited liability**

- a. The liability of the members of the company is **limited** to **contribution** to the assets of the company up to the **face values** of shares held by him.

**2. Common seal**

- a. The common seal is the **official signature** of the company

**3. Capacity to sue and be sued**

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

### 5. What is Meant by Chartered Company?

- ☞ Chartered companies are established by the **King** or **Queen** of a **country**.
- ☞ The **powers** and **privileges** of the **chartered** company are specified in the charter.
- ☞ **Power** to **cancel** the charter is vested with **King/Queen**.

### Short Answer Questions

#### 1. What are the Advantages of Companies? (Any 3)

1. Large capital
2. Limited Liability
3. Transferability of shares
4. Perpetual succession

##### a. Large capital

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

##### b. Limited Liability

a. The liability of a **shareholder** is **limited**. The **risk** of loss is **limited** to the **unpaid** amount on the **face value** of shares held.

##### c. Transferability of shares

a. Transaction of shares between **two individuals** is **easy**. So there is **liquidity** of investment.

b. Any shareholder can **easily convert** his **shares** into money by selling his shares.

#### 2. What is Meant by Government Company?

- ☞ A **public enterprise** incorporated under the Indian Companies Act, 1956 is called a **Government company**.
- ☞ These companies are **owned** and **managed** by the **central** or the **state government**. Section **617** of the Companies Act, **1956** defines "Government Companies" as any company in which **not less than 51%** of the paid-up share capital is held by the **Central Government or any State Government or Governments or partly by the Central Government** and partly by one or more State Governments. A subsidiary of a Government company shall also be treated as a Government company.

#### 3. What is Meant by Foreign Company?

- ☞ Foreign company means a company which is incorporated in a country **outside India** under the law of that country.
- ☞ After the establishment of business in India, the necessary documents must be filed with the **Registrar** of Companies within **30 days** from the date of establishment.

### Long Answer Questions

#### 1. What are the Contents of the Memorandum of Association? (Any 5)

1. Name Clause
2. Situation Clause
3. Objective Clause
4. Liability Clause
5. Capital Clause
6. Association Clause

**1. Name Clause**

- ☞ The name clause requires you to state the **legal** and **recognized** name of the company.
- ☞ The Company **name** is allowed to be **registered**.

**2. Situation Clause**

- ☞ The registered office clause requires you to show the **physical location** of the **registered office** of the company.
- ☞ You are required to keep all the company **registers** in this **office**.

**3. Objective Clause**

- ☞ You also need to state **ancillary objectives**.
- ☞ Objectives that are required to facilitate the **achievement** of the **main objectives**.

**4. Liability Clause**

- ☞ The liability clause requires you to state the extent to which **shareholders** of the company are liable to the **debt obligations** of the company.
- ☞ There are companies limited by shares and **limited guarantee**.

**5. Capital Clause**

- ☞ The capital clause requires you to state the company's **authorized share capital**.
- ☞ You are also required to **list** the company's **assets** under this clause.

**2. What are the Contents in Articles of Association? (Any 5)**

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

**3. What is meant by a Multi-National Company?**

1. Operates in **more than one** country
2. Carries out production, marketing, and research activities on an **international Scale** in those countries.
3. Seeks to **maximize profits** the **world** over.
4. A domestic company or a **foreign** company can be an MNC.

**Examples:**

- ✦ **Microsoft Corporation, Nokia Corporation, Nestle, Coca-Cola, International Business Machine, Pepsi Co, Sony Corporation.**

கடைசி வரை நன்றிக்கை இழக்காதே, ஏனெனில் கடைசி வரையில் கூட உனக்கான வெற்றி எழுதப்படாது இருக்கலாம்!

**07. CO-OPERATIVE ORGANIZATION****Choose The Correct Answers**

1. **Membership in a co-operative organization is .....**

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

2. **Co-operative fails because of .....**

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

3. **All cooperatives are established with .....**

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

4. **Consumers Co-operation was first successful in .....**

- a) **England**      b) the USA      c) Swiss      d) India

5. **Rochdale Society of equitable pioneers was started by .....**

- a) **Robert Owen**      b) H.C.Calver      c) Talmaki      d) Lambert

**Very Short Answer Questions**

1. **What do you Mean by the Co-Operative Organization?**

- ❖ A cooperative is a private business organization that is **owned** and **controlled** by the **people** who use its products, supplies, or services.

2. **Define Cooperatives.**

- ❖ **“Better farming, better business and better living”**  
     ☞ **Sir Horace Plunkett**

3. **What are Credit Cooperatives?**

- ❖ Cooperative credit societies are societies **formed** for providing **short – term financial** help to their **members**.
- ❖ **Agriculturists, industrial workers, salaried employees,**

4. **Who are Rochdale Pioneers?**

- ❖ He is the **Father** of Co-operative movement **Robert Owen**
- ❖ At first, the cooperative movement was started by **Robert Owen**, in the year **1844**. He formed a consumer’s cooperative society in **England** with **28 workers** as members, called “Rochdale Society of Equitable Pioneers”.

**Short Answer Questions**

1. **What are the Disadvantages of Cooperatives? (Any 3)**

1. Limited funds
2. Benefit to rural rich
3. Conflicts among members
4. Imposed by Government

1. **Limited funds**

- ❖ Since the co-operative societies have **limited membership** and it is promoted by the **weaker** section, the **membership fees** collected is **low**.

2. **Benefit to rural rich**

- ❖ Co-operative have benefited the **rural** rich and **not** the rural **poor**.

3. **Conflicts among members**

- ❖ Cooperative societies are **based** on the **principles** of co-operation and therefore **harmony** among **members** is **important**.

4. **Imposed by Government**

- ❖ In the western countries, Co-operative societies were **voluntarily** started by the **weaker sections**.
- ❖ The **objective** is to improve their **economic status**.

**2. Write a note on Housing Co-operatives.**

- ❖ To provide **residential accommodation** to their members on an **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 houses **after paying** the **cost**.
- ❖ People who intend to build houses of their own join together and form housing societies.

**3. What is meant by Producers Cooperative society?**

- ❖ Producer cooperatives are established and **operated** by **producers**.
- ❖ To help **increase** marketing **possibilities** and production **efficiency**.
- ❖ They are organized to **process**, **market**, and distribute their **own products**.
- ❖ **Example:** Cooperative weavers' societies, Co-operative carpeting units.

**Long Answer Questions****1. What are the Principles of Cooperatives? (Any 5)**

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member's Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community

**1. Voluntary and Open Membership**

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

**2. Democratic Member Control**

- ❖ Cooperatives are democratic organisations **controlled** by their **members**.
- ❖ Those who buy the **goods** or **use** the services of the cooperative

**3. Member's Economic Participation**

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

**4. Autonomy and Independence**

- ❖ Cooperatives are **autonomous**, **self-help** organisations **controlled** by their **members**.
- ❖ If the cooperative enters into **agreements** with other organisations or raises capital from **external sources**.

**5. Education, Training, and Information**

- ❖ Cooperatives **provide** education and training for members, **elected representatives, managers, and employees**.
- ❖ **Members** also **inform** the general public about the nature and benefits of cooperatives.

**2. What are the Advantages of a Cooperative Society? (Any 5)**

1. Voluntary organization
2. Easy formation
3. Democracy
4. Equal distribution of surplus

5. Limited liability
6. Separate legal entity
7. Each for all and all for each
8. Rural credit
9. Government support
10. Tax Concessions
11. Elimination of middlemen
12. Greater identify of interests

### 1. Voluntary organization

- ❖ The **membership** of a cooperative society is **open to all**.
- ❖ **Any person** with common **interest** can become a member.

### 2. Easy formation

- ❖ Cooperatives can be **formed** much **easily** when compared to a company.
- ❖ **Any 25** Members who have attained majority can join together for forming a cooperative society.

### 3. Democracy

- ❖ A Cooperative society is run on the principle of "**One Man One Vote**".
- ❖ It implies that all members have **equal rights** in managing.

### 4. Limited liability

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

### 5. Each for all and all for each

- ❖ Co operative societies are formed on the basis of **self help** and **mutual** help.
- ❖ Therefore members contribute their efforts to **promote** their common **welfare**.

## 3. What are the Types of Co-Operative Society? (Any 5)

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

### 1. Consumers Cooperatives

- ❖ It's organized by consumers that want to **achieve better** prices or **quality** in the goods or services they purchase.
- ❖ They also supply essential commodities through **Public Distribution System (PDS)**

### 2. Producers Cooperatives

- ❖ Producer cooperatives are established and operated by producers.
- ❖ To help **increase** marketing **possibilities** and **production** efficiency.
- ❖ **Example:** Cooperative **weaver's societies**, Cooperative **carpeting units**, Cooperative **match factories**.

### 3. Marketing Cooperatives

- ❖ Its associations of **small** producers formed for the purpose of **marketing** their produce.

- ❖ To perform **certain** marketing functions such as **grading, warehousing, advertising** etc.

#### 4. Credit Cooperatives

- ❖ They are those formed for the purpose of providing **short term** financial help to their **members**.
- ❖ Credit societies may be **agricultural credit** societies or **non agricultural credit** societies.

#### 5. Housing Cooperatives

- ❖ To provide **residential** accommodation to their members on **ownership** basis or on **rent**.
- ❖ People who intend to build houses of their **own** join together and form housing societies.

தோழா! தூக்கி எறிந்தால், விழுந்த இடத்தில் மரம் ஆகு!  
எறிந்தவன் அண்ணாந்து பார்க்கட்டும் உன்னை!

**08. MULTINATIONAL CORPORATIONS (MNCS)****Choose The Correct Answers**

**1. A Multinational Corporation can be defined as a firm which .....**

- a) Is beyond the control of any government  
b) Is one of the top 200 firms in the world

**c) Owns companies in more than one country**                      d) All the above

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

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

**3. Enterprises operating in several countries but managed from one country is termed as .....**

- a) Government company                      **b) Multinational Company**  
c) Private company                      d) Joint Venture

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

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

**5. Coca-Cola Company is an example of .....**

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

**Very Short Answer Questions**

**1. Define Multinational Company.**

- "A multinational corporation **owns** and **manages** the business in **two** or **more** countries."  
- Neil H. Jacoby

**2. Write Any Two Advantages of MNC.**

- Low Cost Labour
- Quality Products
- Technical Development
- Managerial Development

**a. Low Cost Labour**

- MNC Setup their facilities in Low cost countries and produce goods and service at lower cost.

**b. Technical Development**

- MNCs carry the advantages of technical development 10 host countries.

**3. Give Two Examples of MNC.**

- Micro max Informatics, Hero Motor Corporation, Bajaj.
- Britannia, TVS, TATA, INFOSYS.
- Bata Corporation, Colgate Palmolive.
- Sony Corporation, Suzuki, Timex.

**Short Answer Questions**

**1. Name the Type of Business Enterprise Which Operates In More Than One Country**

- Microsoft corporation, Nokia Corporation, Coca-Cola, Sony Corporation
- Bata Corporation
- Colgate Palmolive
- Sony Corporation
- Suzuki
- Timex



**2. Write Any Three Indian MNC's**

- Micromax Informatics
- Hero Motocorp
- Bajaj, TVS, Britannia, TATA, Infosys.
- Bata India, Colgate India, Sony India, Maruthi Suzuki.

**Long Answer Questions****1. What are the Advantages of MNC's?**

1. Low cost labor
2. Quality products
3. Proper use of idle resources
4. Improvement in balance of payment position
5. Technical development
6. Managerial development
7. End of local monopolies
8. Improvement in standard of living

**1. Low cost labor**

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

**2. Improvement in standard of living**

- By providing **super quality** products and services.
- MNC's help to improve the standard of living of people of host countries.

**3. Improvement in balance of payment position**

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

**4. End of local monopolies**

- The entry of MNC's Leads to **competition** in the host countries.
- MNC's compel **domestic** companies to improve their **efficiency** and **quality**.

**5. Managerial development**

- MNC's Employ **latest** management techniques
- It leads to **managerial** development in host countries.

**2. What are the Disadvantages of MNC's?**

1. Danger for domestic industries
2. Transfer of outdated technology
3. No benefit to poor people
4. Danger to independence
5. Deprivation of job opportunity of local people
6. Misuse of mighty status
7. Careless exploitation of natural resources

**1. Danger for domestic industries**

- MNCs, because of their vast **economic power**, pose a **danger** to **domestic industries**.
- Domestic industries **cannot** face **challenges** posed by MNCs.
- Many domestic industries have to **wind up**, as a result of threats from MNCs.

**2. Deprivation of job opportunity of local people**

- MNC's may **not generate** job **opportunities** to the people of **home country**.

**3. No benefit to poor people**

- MNC's produce only those things, which are used by the **rich**
- **Poor** people of host **countries** do **not** get generally any **benefit**.

**4. Misuse of mighty status**

- MNC's are **powerful economic** entities.
- They can afford to **bear losses** for a long while in the hope of **earning huge profit**.

**5. Transfer of outdated technology**

- Where MNC's **transfer outdated technology** to host **nation**, it serves **no purpose**.

வெற்றிதள்ளிப் போகணம்; ஆனால் முயற்சி விண் போகாது!



- ❖ **Examples:** Life Insurance Corporation of India, The Indian Airlines, The Air India International.

### Long Answer Questions

#### 1. What are the Advantages of Departmental Undertaking? (Any 5)

##### Meaning:

- ❖ Department form of organisation of managing state enterprises is the **oldest** form of organisation.
  1. Easy Formation
  2. Direct and control of parliament or state legislature
  3. Secrecy maintained
  4. Lesser burden of tax on public
  5. Instrument of social change
  6. Lesser risk of misuse of public money
  7. Guided by rules and regulations of the ministry

##### 1. 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**.

##### 2. 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**.

##### 3. Secrecy maintained

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

##### 4. Lesser burden of tax on public

- ❖ Departmental undertakings are **entirely** paid into the **Government treasury**, resulting in a **lesser tax burden** on the **public**.

##### 5. Instrument of social change

- ❖ The government can **promote economic** and **social** justice through departmental undertakings.

#### 2. What is the Features of Public Corporation? (Any 5)

1. Special Stature
2. Separate Legal Entity
3. Capital Provided by the Government
4. Financial Autonomy
5. Management by board of Directors
6. Own Staff
7. Service Motive
8. Public Accountability

##### 1. Special Stature

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

##### 2. Separate Legal Entity

- ❖ A public corporation is a **separate legal** entity with **perpetual succession** and a **common seal**. It has an existence, **independent** of the **Government**.

### 3. Capital Provided by the Government

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

### 4. Financial Autonomy

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

### 5. Management by board of Directors

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

### 3. Features of Government Company (Any 5)

1. Registration under the companies Act
2. Executive decision of Government
3. Separate legal entity
4. Whole or Majority Capital Provided by Government
5. Majority of Government directors
6. Own Staff
7. Free form procedural controls

#### 1. 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.

#### 2. 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**.

#### 3. 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**.

#### 4. 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.

#### 5. Free from procedural controls

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

தவறிவிழுந்த விதைகள் முளைக்கும் போது, தடுமாறி விழுந்த நம் வாழ்க்கை மட்டும்தான் சிறக்காது? நம்மிக்கேயோடு எழுவோம்...

**UNIT 03. SERVICE BUSINESS - I****10. RESERVE BANK OF INDIA****Choose The Correct Answers****1. Which bank has the power to issue bank notes?**

- a. **Central bank**    b. Commercial bank    c. Co-operative banks    d. foreign banks

**2. The Central bank of India is**

- a. PNB                      b. SBI                      c. ICICI                      **d. RBI**

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

- a. 1936                      **b. 1935**                      c. 1934                      d. 1933

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

- a. **Economic development**                      b. Trade development  
c. Industry development                      d. Service development

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

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

**Very Short Answer Questions****1. What are the Services Included in Service Businesses?**

- ☞ Education, banks, Hospitality, Insurance, Medical, Health
- ☞ Transports and warehousing

**2. Write the Meaning of 'Bank.'**

- ☞ Bank is a financial institution which **accepts** deposits from the **public** and creates credit.
- ☞ The word bank Normally refers to **commercial bank**
- ☞ There are many types of **banks rendering** different type of services
- ☞ **Central bank** is the most important among them.

**3. Briefly Explain About Central Bank.**

- ☞ **Every nation** has one central bank.
- ☞ It is **owned** by the **Government** of the country.
- ☞ The control over the entire banking system of a country is vested with this **apex bank**.
- ☞ Central banks are known by different names in different countries. In India, the **Reserve Bank of India (RBI)** is the **central bank**.

**Short Answer Questions****1. What are the Functions of RBI? (Any 3)**

- ☞ Leadership and Supervisory Functions
- ☞ Traditional Functions
- ☞ Promotional Functions

**1. Promotional of Small Scale Industries**

- ☞ **Micro small** and **medium enterprises** are included in the **priority** sector
- ☞ All scheduled Banks are required to **open separate Branches** to specialize the financing of these industries.

**2. Facilitates Foreign Trade**

- ☞ The **RBI** has simplified the **rules** for credit to exporters through which they can now get long term advance from Banks.

### 3. Maintenance of foreign exchange rate

- ☞ The RBI manages the exchange value of the rupee in order to facilitate India's foreign trade and payments.

### 2. Explain the Origin of RBI

- ☞ RBI Act **1934** was passed
- ☞ RBI **launched** its operations from **April 01, 1935**.
- ☞ After **independence**, the Government of India passed the **RBI Act, 1948**
- ☞ From **January 1, 1949**, RBI **started** functioning as a **government-owned central bank of India**.

### 3. Who are The Persons Involved in RBI Administrations

- ☞ The RBI is governed by the **central board of directors**.
- ☞ The **21** member's board is appointed by the **Government of India**.
- ☞ **One Governor** and **four deputy governors** appointed for a period of **four years**.
- ☞ **Ten Directors** from various fields
- ☞ **Two** Government officials
- ☞ **Four** Directors – one each from local boards.

### Long Answer Questions

#### 1. Classify the Various Functions of Reserve Bank of India. (Any 5)

- ☞ The functions of the RBI can be grouped under **three** heads:
  - Leadership and Supervisory Functions
  - Traditional Functions
  - Promotional Functions

#### 1. Leadership and Supervisory Functions:

- ☞ India's Representative in World Financial Institutions
- ☞ Regulator and Supervisor of Indian Banking System
- ☞ Monetary Authority
- ☞ Closely Monitoring Economic Parameters
- ☞ Promptly Responding to New Challenges

#### 2. Traditional Functions

- ☞ Banker and Financial Advisor to the Government
- ☞ The monopoly of Note Issue
- ☞ Banker's Bank
- ☞ Controller of Credit and Liquidity
- ☞ Quantitative Methods of Credit Control
- ☞ Qualitative Credit Control Measures
- ☞ Lender of the Last Resort
- ☞ Custodian of Foreign Exchange Reserves
- ☞ Maintenance of Foreign Exchange Rate

#### 3. Promotional Functions

- ☞ Nurturing Banking Habits among the Public
- ☞ Grievance Settlement Measures
- ☞ Agricultural Development
- ☞ Promotion of Small Scale Industries
- ☞ Facilitates Foreign Trade
- ☞ Supports Cooperative Sector

### 1. Promotional of Small Scale Industries

- ☞ **Micro small** and **medium enterprises** are included in the **priority** sector
- ☞ All scheduled Banks are required to **open separate Branches** to specialize the financing of these industries.

### 2. Facilitates Foreign Trade

- ☞ The **RBI** has simplified the **rules** for credit to exporters through which they can now get long term advance from Banks.

### 3. Maintenance of foreign exchange rate

- ☞ The RBI manages the exchange value of the rupee in order to facilitate India's foreign trade and payments.

### 4. India's Representative in world Financial Institutions

- ☞ RBI represents Government of India in International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF) in which India is a member since December 27, 1945.

### 5. Banker and Financial Advisor to the Government

- ☞ RBI manages Government debt and is responsible for issue of new loans. It advises the government on the quantum, timing and terms of new loans.

### 6. Nurturing Banking Habits among the public

- ☞ It is the responsibility of RBI to maintain the public confidence in the banking system. It protects the depositors' interest and aim at providing cost effective banking services in order to include more people to avail banking services.

முயற்சிகள் தோற்றுப் போகிறதா? தளர்ந்து விடாதே...  
மீண்டும் கடந்து வா நம்பிக்கையுடன்! விதைகூட இங்கு  
விழுந்துதான் எழுகிறது! தோல்விகள் கூட ஒரு நாள் தோற்றுப்  
போகும் நம்பிக்கை இருந்தால்!



**11. TYPES OF BANK****Choose The Correct Answers****1. Which bank is not an Industrial Bank?**

- a. ICICI                      b. HSBC                      c. SIDBI                      d. IDBI

**2. The Local Area Banks are promoting .....**

- a. Rural savings                      b. Business savings  
c. Industrial development                      d. Agricultural development

**3. Foreign banks are begun their operation since**

- a. 1978                      b. 1979                      c. 1980                      d. 1981

**Very Short Answer Questions****1. Give the Meaning of Commercial Banks**

- ◆ Banks which **accept** deposits **from** the **public** and **grant** loans to **traders, individuals, agriculture, industries, transport, etc.**, in order to **earn a profit**.

**2. What do you mean by Industrial Banks?**

- ◆ Huge finance required for **investment, expansion** and **modernization** 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**

**3. What are 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.
- ◆ In **2017** there were **42** foreign banks in India and all of them were **scheduled** banks.

**Short Answer Questions****1. Write a Short Note on Local Area Banks, Give two examples.**

- ◆ The local Area Bank (**LAB**) scheme was introduced by the **RBI** in **August 1996**.
- ◆ LABs are **small private sector** banks established in **rural and semi-urban areas**.
- ◆ Their main objective is to mobilize rural savings (accept deposits) and invest them in the same areas.
- ◆ Now **only 3 local area bank** functioning.

**Examples:**

- **Coastal Local Area Bank**, Vijayawada, Andhra Pradesh.
- **Subhadra Local Area Bank** Limited, Kolhapur, Maharashtra

**2. What are the Objectives Involved in Regional Rural Banks?**

- ◆ The Regional Rural Banks were formed under the Regional Rural Bank **Act 1976**, jointly by the **Central Government, State Government**, and a **sponsor bank**, in the ratio of **50:15:35**.
- ◆ To **develop** the **rural** economy.
- ◆ Play a **supplementary** role in **cooperative** societies.
- ◆ To mobilize deposits from the rural public
- ◆ To provide finance to rural artisans, small entrepreneurs, and farmers.
- ◆ Try to **avoid** the public dependency on **money lenders**.

**Long Answer Questions****1. Explain the Types of Banks on the Basis of their Functions: (Any 5)**

1. Central bank
2. Commercial bank
3. Development banks
4. Cooperative banks
5. Foreign banks
6. Regional rural banks – RRBs
7. Specialized banks
8. Local area banks
9. Small finance banks
10. Payment bank

**1. Commercial bank**

- ◆ Banks which **accept deposits** from the **public** and **grant loans to traders, individuals, agriculture, industries, transport**, etc. in order to earn a profit.
- ◆ They operate with a **head office and a network** of branch offices spread throughout the **country**.
- ◆ **Examples:** State Bank of India, Karur Vysya Bank.

**2. Development banks**

- ◆ Huge finance required for **investment**, expansion and **modernization** 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**
- ◆ **Examples:** Industrial Finance Corporation of India – **IFCI**, Small Industries Development Bank of India – **SIDBI, MUDRA Bank** (for the development of micro industries)

**3. Cooperative banks**

- ◆ Cooperative banks in India are either **urban based or rural based**
- ◆ All cooperative banks in Tamil Nadu are registered under Tamil Nadu Cooperative Societies **Act 1983**.
- ◆ Example:
  - National Agricultural Cooperative Marketing Federation of India Ltd. (**NAFED**) was **set up** in **1958**,
  - Tamil Nadu State Apex Cooperative bank – Head Office, **Chennai**.
  - **Madurai District** Central Cooperative Bank Ltd.
  - **Batlagundu Cooperative** Urban Bank Ltd. Dindigul District.

**4. 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.
- ◆ In **2017 there were 42 foreign banks** in India and all of them were **scheduled** banks.
- ◆ **Examples:** Bank of America – The USA, Barclays Bank – The UK, Deutsche Bank – Germany.

### 5. Regional rural banks – RRBs

- ◆ The RRBs were formed under the Regional Rural Bank Act **1976**, jointly by the **Central Government, State Government, and a sponsor bank**.
- ◆ They are established as **low cost** institutions in **rural areas**. As on **31.06.2016**, there were **56 RRBs** in **India** with **14,494 branches**.
- ◆ **Examples:**
  - **Pallavan Grama Bank**, Salem, Tamil Nadu,
  - **Pandian Grama Bank**, Thirumangalam, Madurai District, Tamil Nadu.
  - **Vallalar Grama Bank**, Chidambaram, Cuddalore District, Tamil Nadu.

### 6. Local area banks

- ◆ The local Area Bank (**LAB**) scheme was introduced by the **RBI** in **August 1996**.
- ◆ LABs are **small** private sector banks established in **rural and semi-urban areas**.
- ◆ Their main objective is to mobilize rural savings (accept deposits) and invest them in the same areas.
- ◆ **Examples:**
  - **Coastal Local Area Bank**, Vijayawada, Andhra Pradesh.
  - **Subhadra Local Area Bank** Limited, Kolhapur, Maharashtra.

### 2. Explain the Types of Banks Based on Ownership Pattern.

- ◆ Any bank in which **not less than 51 percent of shares** are owned by the Government is called Government banks or public sector commercial banks.
- ◆ All nationalized banks (**19 banks, in 2017**), SBI, and **IDBI** Ltd. are public sector commercial banks.
- ◆ All of them are joint-stock company-type banks. There are corporation-type banks. Each corporation type bank is established by a separate Act of Parliament and is fully owned by the Government of India.
- ◆ **Example:**
  - **IFCI, SIDBI, EXIM Bank.**
- ◆ All banking companies owned by private people are called private sector commercial banks.
- ◆ All cooperative banks are **owned by members** of the public.
- ◆ In **1969**, there were **14 private banks** which were concentrated in cities and towns. Their objective was to **earn more profits**.
- ◆ **6 more banks** were nationalized **in 1980**.
- ◆ **Today there only 19 nationalized banks (2017).**
- ◆ **Nationalized Banks:**
  - Indian Bank, Indian Overseas Bank, Oriental Banks of Commerce.
- ◆ **Public Sector Banks:**
  - State Bank of India, IDBI Bank Ltd. And all nationalized Banks.
- ◆ **Private Sector Banks:**
  - Lakshmi Vilas Bank, Karur Vysya Bank, Kotak Mahindra Bank.

இந்த உலகமே உன்னை திருந்மி பார்க்க வேண்டுமென்றால் ...  
நீ யாரையும் திருந்மி பார்க்காதே...

**12. FUNCTIONS OF COMMERCIAL BANKS****Choose The Correct Answers****1. Electronic banking can be done through.....**

- a. Computers                      b. Mobile phones                      c. ATM                      **d. All of the above**

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

- a. Any amount                      b. 50,000                      **c. 2 lakh**                      d. 5 lakh

**3. The largest commercial bank of India**

- a. ICICI                      **b. SBI**                      c. PNB                      d. RBI

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

- a. Saving deposit      b. Fixed deposit                      c. Current deposit      **d. Recurring Deposit**

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

- a. Collecting and Supplying Business Information**                      b. Overdraft  
c. Cash credit                      d. Discounting of bills

**Very Short Answer Questions****1. What is Mobile Banking?**

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

**2. Briefly Explain the Need for a Debit Card.**

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

**3. Briefly Explain the Term – Credit Card.**

- \* 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.

**4. What do you Mean by ATM?**

- \* ATM (Automated Teller Machine) card.
- \* A customer can **withdraw money anytime, anywhere in India** from the ATM machine using the ATM card given by his / her bank.

**Short Answer Questions****1. What is E-Banking?**

- \* E-Banking is a method of banking in which the customer conducts transactions **electronically** via the internet.
- \* Banking through **internet** is called E-Internet Banking.
- \* To performing banking operation through internet by using **computer and mobile phone**.
- \* Money banks have their **own websites**.

**2. Write a Short Note on – RTGS.**

- \* The Real-Time Gross Settlement Systems (**RTGS**) was launched by **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 and up to **2.00 pm on Saturdays.**
- \* RTGS transfers are **not allowed** on **Sundays and bank holidays.** The **minimum limit** for RTGS transactions is **2 lakhs.**

### 3. Explain NEFT.

- \* The National Electronic Funds Transfer (NEFT) was launched by **RBI** in **2005.**
- \* Under this electronic funds transfer system, the **bulk** transfer of **transactions** is settled in batches during specific **timings across India.**
- \* Transactions do not occur on a real-time basis. 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.
- \* NEFT use **IFSC** (Indian Financial System Code) -all **digit alphanumeric** code, to identify a bank branch.
- \* **IFSC is provided by IDRBT, Hyderabad.**

### Long Answer Questions

#### 1. Discuss the Various Primary Functions Performed by the Commercial Banks.

The Primary functions of a commercial bank are of **three.**

- \* Accepting deposits
- \* Granting loan and advances
- \* Creation of credit

#### I. Accepting Deposits

- \* In these days banks compete with each other to attract customers by adding facilities.
- \* Broadly deposit account can be classified into **demand deposit** and **time deposits.**

#### 1. Demand Deposits:

- \* These deposits are repayable on demand on any day.
- \* **Savings** Deposits
- \* **Current** Deposits

#### i. Savings Deposits

- \* This account can be **opened** in **one individual's name or more than one name.**
- \* **Business** firms are **not permitted** to open savings account.
- \* The rate of **interest allowed** on this deposit is lower than fixed deposits.
- \* The bank provides facilities like **cheque book, ATM card** withdrawals balance should be maintained in this deposit account.

#### ii. Current Deposits

- \* This account is **suitable** for **business** institutions.
- \* **Individuals** too can **open** this account
- \* A **higher minimum** balance should be **kept** in this account.
- \* **No interest** is paid for the balance in this account.
- \* **Overdraft (short term unsecured loan)** facility is available to current account customers.

## 2. Time Deposits

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

- **Fixed Deposits**
- **Recurring Deposits**

### i. Fixed Deposits

- Certain amount is deposited for a **fixed period** for **fixed rate of interest**.
- Rate of interest is **higher than** savings account.
- Fixed deposit period can be **1 month to 10 years**. Fixed deposit is also called **term deposit**.

### ii. Recurring Deposits

- Certain sum is deposited into the **account every month for one year or five years or the agreed period**.
- **Interest** rate is more than savings deposits and almost equal to fixed deposits.
- **Minors or students** also can **open** this account.

## II. 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.

### a. Advances:

- ☞ Overdraft
- ☞ Cash credit
- ☞ Discounting of bills

### b. Loans:

- ☞ Housing loan
- ☞ Consumer loans
- ☞ Vehicle loans
- ☞ Educational loan
- ☞ Jewel loan

### 1. Overdraft

- It is credit facility extended mostly to **current** account holding **business** community customers. (**Unsecured credit**) Up to a certain amount usually for **3 month period**.

### 2. Cash credit

- It is **secured credit** facility given mostly to **business** institutions. Stock in hand, raw materials, other tangible assets, etc.

### 3. Consumer loan

- Consumer durables like **refrigerator, air conditioner, laptop, washing machine, television**, etc. can be purchased by customers with consumer loans from banks.

## III. Creation of credit

- \* Credit money of commercial banks is far greater in volume than the currency money. The volume, the purposes and the sector to which this credit money is to be channelized

## 2. Explain the Various Secondary Functions of Commercial Banks. (Any 5)

- \* A part from the basic or primary functions commercial banks render various other services which are known as secondary functions

### I. Agency Functions:

- ◆ Transfer of funds
- ◆ Collection and payment of cheques
- ◆ Acting as executors, trustees and attorneys
- ◆ Conduct share market transactions
- ◆ Preparations of income tax return
- ◆ Dealing in foreign exchanges
- ◆ Acting as correspondent

#### 1. Transfer of funds

- ☞ Banks issue demand **drafts, bankers cheques, travelers' cheques**, etc., and help in the transfer of funds from one place to another.

#### 2. Collection and Payment of Cheques

- ☞ On behalf of customers bank **collect** the **cheques deposited** into the accounts of **customers** from other **banks** and deposit cash in the **customers'** accounts.

#### 3. Acting as Executors, Trustees, and Attorneys

- ☞ Banks act as executors of the will of the customers and implement their will after their death.

#### 4. Conduct Share Market transactions

- ☞ A Demat account should be opened with Depository Participant and that Demat account should be linked with a savings bank account by the customer.

#### 5. Preparation of Income Tax Return

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

#### 6. Dealing in Foreign Exchange

- ☞ Banks buy and sell foreign **currencies** on behalf of customers.

#### 7. Acting as Correspondent

- ☞ Banks act as correspondents of customers and receive travel tickets, passports, etc.

### II. General Utility Functions:

- ◆ Issue of Demand Drafts and Bankers' Cheques
- ◆ Accepting Bills of Exchange on behalf of Customers, Travellers cheques
- ◆ Safety Lockers, Gift cheques , Reference service.
- ◆ Letters of Credit

தொடர் முடிவாக உயர்த்தல் உன் கனவுகள் இருந்தாலும்,  
தொடர் குவிவாழ் என்ற நம்பிக்கையில் நீ போராடு!

**13. WAREHOUSING****Choose The Correct Answers**

1. Warehouse removes the hindrance of.....

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

2. A warehouse holds goods as a ..... center.

- a) Marketing              b) Sorting                      **c) Distribution**              d) Selling

3..... can be given as collateral security for getting financial assistance from the bank.

- a) Dock warrant    b) Warehouse receipt  
c) Dock receipt    **d) Warehouse warrant**

4..... warehouses are licensed by the government and are permitted to accept the goods on bond.

- a) **Bonded**                      b) Cold Storage              c) Public                      d) All the Above

5..... warehouses are used for storing perishable goods like fruits, vegetables, etc.

- a) Bonded                      b) Private                      **c) Cold storage**              d) Co-operative

6. The document which authorizes to deliver the goods either in part or full is called.....

- a) Warehouse warrant    b) Dock Receipt  
**c) Dock warrant**    d) None of these

7. The Institutional warehouse started with the support of the government is.....

- a) Bonded Warehouse    b) Public Warehouse  
**c) Food Corporation of India**    d) Custom Bonded

**Very Short Answer Questions**

1. What is Warehouse?

- It is a place where goods are **stored** for **future use** and act as distribution centers. **Warehouses** are designed depending upon the **nature** of the products to be stored.
- **Warehouse removes the hindrance of time.**

2. What is Warehousing?

- It is an **arrangement** by which goods are stored when they are not needed **immediately** and are kept in such a manner so as to **protect from damage or deterioration.**

3. List the Various Types of Warehouses

**On the basis of Ownership**

- ◆ Private Warehouses
- ◆ Government Warehouses
- ◆ Public Warehouses
- ◆ Co-operative Warehouses

**On the basis of commodities stored**

- ◆ General Warehouses
- ◆ Special Commodity Warehouses
- ◆ Cold storages or Refrigerated Warehouses
- ◆ Climate Controlled Warehouses

4. Give any three functions of Warehouses

- ◆ **Storage:** The **surplus** goods are **stored properly** for the purpose of supplying them at the right place and at the right time.
- ◆ **Price Stabilization:** Warehousing ensures price **stabilization** by **supplying** goods as and when **demand**ed.



- ◆ **Equalization of Demand and Supply:** Warehousing equalizes the demand and supply of goods by storing the goods when they are not demanded and releasing them when they are demanded.

#### 5. Give Any Two Needs of Warehouses

- ◆ Mass production
- ◆ Nature of commodities
- ◆ Seasonal production but regular consumption
- ◆ Regular production but seasonal consumption
- ◆ Proximity to production centers
- ◆ **Mass production**
  - Production is based on the anticipated demand for goods. Mass production of goods takes place by establishing big factories and modern production.

#### 6. Give a Note on FCI

- ◆ FCI provides storage **facilities** for good grains.
- ◆ FCI also hires **storage** capacity from other sources such as **CWC, SWC**, and private parties.

#### Short Answer Questions

##### 1. Differentiate the Warehouse Warrant from the Warehouse Receipt

S.No	Warehouse Warrant	Warehouse Receipt
1.	It is a document of title goods	It is not a document of title of goods
2.	It can be negotiated	It cannot be negotiated
3.	It can be given a collateral security	It cannot be given a collateral security
4.	Delivery of goods effected by surrendering this warrant with endorsement	Delivery is effected by surrendering this receipt with letter from depositor

##### 2. Comment on Cold Storage Warehouse

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

#### Long Answer Questions

##### 1. Explain the Different Types of Warehouses? (Any 5)

###### On the basis of Ownership

- ◆ Private Warehouses
- ◆ Government Warehouses
- ◆ Public Warehouses
- ◆ Co-operative Warehouses
- ◆ Bonded warehouses
- ◆ Institutional warehouses
- ◆ Distribution centre warehouses

**On the basis of commodities stored**

- General Warehouses
- Special Commodity Warehouses
- Cold storages or Refrigerated Warehouses
- Climate Controlled Warehouses

**1. Private Warehouses**

- ◆ Private warehouses are built and **owned** by **private** business enterprises in order to store the products produced by them.

**2. Government Warehouses**

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

**3. Public Warehouse**

- ◆ It is open to the **public** at large.
- ◆ Most business organisations, especially small and medium scale units **cannot** afford to have their **own warehouses**.

**4. Cooperative Warehouses**

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

**5. Bonded Warehouses**

- ◆ Bonded warehouses are those warehouses, which are **licensed by the government** to accept the storage of imported goods which are not cleared due to non-payment of customs duty by the importer.

**6. General Warehouses**

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

**2. Explain the Advantages of Warehousing Functions**

- ◆ **Meaning:** Warehousing is the act or the process of **storing large quantities** of goods so that they can be **sold** or **used** at a later date.
- ◆ It **safeguards** the stock of the merchants who do not have to store place.
- ◆ Warehouses reduce the distribution cost of the traders by storing the goods in **bulk** and allow the trader to take the goods in small lots to his shop.
- ◆ It helps in the selection of channels of distribution. The producer will prefer whether to appoint a wholesaler or retailer.
- ◆ It assists in maintaining continuous sales and avoids the possibility of an **“out of stock” position**.
- ◆ It creates employment opportunities for **both skilled and unskilled workers**, to improve their standard of living.

செல்லும் பாதை சரிபாசு இருந்தால். வேகமாக அல்ல மெதுவாக  
ஒடினாலும் வெற்றிதான்!

## 14. TRANSPORTATION

### Choose The Correct Answers

1. Transport removes the hindrance of.....

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

2. Air consignment note is prepared in .....Forms.

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

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

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

4. Which is the fastest means transport? a. Rail      b. Road      c. Sea      d. **Air**

### Very Short Answer Questions

1. Define Transport

- ♣ “The transport system acts with reference to the area it serves in the same way as a candle does in a dark room”.

- **K.K. Sexena**

2. State Any Two Services Rendered by Transport

- ♣ It increases the efficiency of production
- ♣ It aids to economic growth
- ♣ It develops and expands the market
- ♣ It helps in specialization and mass production
- ♣ It is a means to carry men and material from one place to another place.
- ♣ It removes the hindrance of place

3. Write any two advantages of water transport

- ♣ Its considered as the cheapest mode of transport
- ♣ Its most suitable for heavy loads
- ♣ There is lesser pollution in water transport

### Short Answer Questions

1. What is Bill Of Lading?

- ♣ It's a document containing the **terms** and **conditions** of the contract of carriage.
- ♣ It's 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's a document of **title of goods**.

2. What is Charter Party?

- ♣ Goods are to be consigned in **large quantity**; it is advantageous to hire the whole or substantial part of the ship.
- ♣ The document through which this contract is made is known as “**charter party**” may also be known as “**Voyage Charter**’ or **Time Charter**”.
- ♣ The person who hires the ship is known as “**Charter**”
- ♣ The charter party brings the vessel and crew under the control of the charters.
- ♣ The charter becomes responsible to the third parties for the acts of the master and crew of the ship.

### Long Answer Questions

1. Explain Different Types Of Transport. (Any 5)

1. Surface Transport

- a. Transport of people and goods by land vehicles is known as surface transport. It's also called as ‘**land transport**’.

- i. **Pack Animals** - donkey, camel, horse, mule and elephant.
- ii. **Bullock carts** – rural road transport in India for goods traffic.
- iii. **Road transport** – short and medium distances.
- iv. **Motor Lorries and buses** – petrol engine and diesel engine vehicle
- v. **Tramways** – Madras city had tramways till 1933
- vi. **Railway transport** – invention of steam engine by James watt

♣ **Pack Animals**

- Animals like **horse, mule, donkey, camel, elephant**, etc., are used for carrying small loads in backward areas, **hilly tracts, forest** regions, and deserts known as pack animals.

♣ **Bullock Carts**

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

♣ **Road Transport**

- Road Transport is one of the most promising and potent means suitable for short and medium distances.

♣ **Recent Trends in Transport**

- **Metro Rail, Monorail, Bullet train, Pipeline Transport**, Conveyor Transport, Ropeway transport, and Hyper loop transport.

## 2. Water Transport

a. "water is a free gift of nature"

b. Water transport is the process of moving people, goods etc. by barge, boat, ship or sail boat over a **sea, ocean, lake, canal, river**, etc.

c. Water transports are of two types:

i. **Inland waterways**

ii. **Ocean waterways**

i. **Inland waterways**

- ♣ Inland waterways comprise of **rivers, canals and lakes**.
- ♣ It is also known as **internal water transport**.
- ♣ Canals and canalized rivers belong to the category of "**Artificial Waterways**".

ii. **Ocean or Sea waterways**

- ♣ **Ocean** transport has been playing a significant role in the development of economic, social, and cultural relations among countries of the world.
- ♣ Cheapness in its great virtue.
- ♣ **Liner** – Passenger liners and Cargo liners
- ♣ **Tramps** – General cargo ship, bulk carriers, container ships.

## 3. 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.
- ♣ The modern air transport has its growth with the invention of Airplane by Wright brothers.
- ♣ Domestic and International flights are air travel.

**2. Discuss the Advantages of Railway Transport (Any 5)**

1. Railways are well suited for carrying **heavy** and **bulky** goods over **long distances**.
2. It can provide **long-distance** travel throughout the day and night with unbroken services.
3. It can provide better protection and **safety** to the goods than motor transport. The goods generally carried in closed wagons are not exposed to sun, rain, etc.
4. Though the initial **investment is large**, in the long run, the operating expenses will be very low in railways and it will prove a cheaper mode of transport. It requires less time than motor transport for carrying goods over long distances with greater speed.
5. It has a regular schedule of timing and is available throughout the year.
6. It provides **unaffected** services whether **rainy** or **shiny weather** conditions.

இன்று வரும் தேர்வுகளை கண்டு ஒளிந்தால் நாளை வரும் வெற்றியை யார் வரவேற்பது துணிந்து இந்த நாளை தொடங்குங்கள்

**15. INSURANCE****Choose The Correct Answers**

1. The basic principle of insurance is .....

- a) Insurable Interest    b) Co-Operation    c) Subrogation    d) Proximate cause

2. .... is not a type of general insurance

- a) Marine Insurance    b) Life Insurance    c) Fidelity Insurance    d) Fire Insurance

3. Which of the following is not applicable insurance contract?

- a) Unilateral contract    b) Conditional contract  
c) Indemnity contract    d) Inter-personal contract

4. Which one of the following is a type of marine insurance?

- a) Money back    b) Cargo Insurance    c) Hull insurance    d) Both B and C

5. Which of the following is not a function of insurance?

- a) Lending Funds    b) Risk sharing    c) Capital formation    d) Protection of life

**Very Short Answer Questions**

1. List Any Five Important Types of Policies

1. Whole life policy
2. Joint life policy
3. Annuity policy
4. Children's endowment policy
5. Life Insurance
6. General Insurance
7. Fire Insurance
8. Marine Insurance
9. Health Insurance

2. What is Health Insurance?

- A health insurance policy is a contract between an insurer and an **individual** or **group**, in which the **insurer** agrees to provide specified health insurance at an agreed-upon premium.
- It provides **risk coverage** against unforeseen health expenditures that may result in financial hardship.

**Short Answer Questions**

1. Define Insurance

- Insurance is a plan by themselves which **large number** of people associate and transfer to the **shoulders** of all, the **risk** that **attacks** to **individuals**"
  - John Merge

2. Give the Meaning of Crop Insurance

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

3. Write a Note on IRDAI

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

## Long Answer Questions

### 1. Explain the Various Types of Insurance

1. Life insurance (or) life Assurance
2. Non – life Insurance (or) General Insurance
3. Classified into:
  1. Fire Insurance
  2. Marine Insurance
  3. Health Insurance
  4. Miscellaneous Insurance

### **Life insurance (or) life Assurance**

- Life Insurance may be defined as a contract in which the insurance company called insurer undertakes to ensure the life of a person called assured in exchange for a sum of money called a premium which may be paid in one **lump sum or monthly, quarterly, half-yearly, or yearly and promises to pay a certain sum of money** either on the death of the assured or on expiry of a certain period.
- Life insurance policies are of many kinds some of them are given below:
  - Whole Life Policy
  - Joint Life Policy (JLP)
  - Annuity Policy

### **None – life insurance:**

- It refers to insurance **not related** to **humans** but related to properties

### **Fire Insurance**

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

### **Marine Insurance**

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

### **Health insurance**

- Health insurance policy is a contract between an insurer and an individual or group, in which the insurer agrees to provide specified health insurance at an agreed upon price (premium).
- Disability resulting from illness or accident may be peril to family because it not only cuts off income but also creates large medical expenses.
- Presently the health insurance exists primarily in the form of **'Mediclaime Policy'**.

### **Miscellaneous Insurance**

- Motor vehicle Insurance
- Burglary Insurance
- Crop Insurance
- Sports Insurance

## 2. Explain the Principles of Insurance (Any 5)

1. Utmost goods faith
2. Insurable interest
3. Indemnity
4. Causa proxima
5. Contribution
6. Subrogation
7. Mitigation

### 1. Utmost Good Faith

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

### 2. Insurable Interest

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

### 3. Indemnity

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

### 4. Causa Proxima

- The word 'Causa Proxima' means '**nearest cause**'.
- The direct, the most **dominant**, and most **effective** cause of a loss should be taken into consideration.
- The insurance company is not liable for the remote cause.

### 5. Contribution

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

### 6. Subrogation

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

### 7. Mitigation

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

நேரம் போய்க்கொண்டதான் இருக்கும். எனவே நீ செய்வதென்றதை செய்  
அதுவும் இப்போதே செய். காத்திருக்காதே..



**UNIT IV SERVICE BUSINESS - II****16. EMERGING SERVICE BUSINESS IN INDIA****Choose the Correct Answers**

1. A continuing relationship which provides a license privileges to do business and provides training, merchandising for a consideration is called .....
  - a) Franchising
  - b) Factoring
  - c) Supply Chain Management
  - d) Exchange
2. Buying and selling of goods through electronic network is known as .....
  - a) E-commerce
  - b) internet
  - c) Website
  - d) Trade
3. An organization carrying out activities to move goods from producer to consumer is .....
  - a) Transport
  - b) Logistics
  - c) Channels
  - d) Marketing
4. The main benefit of Logistics is .....
  - a) Productivity
  - b) Cost Minimisation
  - c) Profitability
  - d) Storage
5. The main benefit of outsourcing is.....
  - a) Productivity
  - b) Cost reduction
  - c) Skill
  - d) Units
6. A condition where a factor agrees to provide complete set of services like financing, debt collection, consultancy is called.....
  - a) Maturity Factoring
  - b) National Factoring
  - c) Full service Factoring
  - d) Recourse Factoring
7. The role of government in logistics management is through.....
  - (a) Legislations
  - (b) Governance
  - (c) Transport
  - (d) Distribution
8. What aims for an effective management response over the longer run.....
  - (a) Logistics
  - (b) Supply Chain Management
  - (c) Demand
  - (d) Supply
9. The model that identifies alternatives, criteria for decision making and analyse alternatives to arrive at the best choice is.....
  - (a) Routing Model
  - (b) Scheduling Model
  - (c) Inventory Model
  - (d) Alternative Analysis
10. A company under outsourcing transfers activities which are .....
  - (a) Core
  - (b) Non-core
  - (c) Business
  - (d) Non business
11. Business units can reduce expenditure by outsourcing front office work like.....
  - (a) Paper work
  - (b) File work
  - (c) Billing
  - (d) Manufacturing
12. Outsourcing job is given to developing countries specifically for.....
  - (a) Cheap labour
  - (b) Land
  - (c) Capital
  - (d) Factors
13. Outsourcing is carried out for the benefit of.....
  - (a) Global village
  - (b) Transport
  - (c) Factory
  - (d) Time and money

**Very Short Answer Questions****1. Who is a Franchisee?**

- The individual who **acquires** the right to **operate** the **business** or use the **trademark** of the **seller** is known as **the franchisee**.

**2. State two Disadvantages of Franchising?**

- 1) Franchising fees
- 2) Fixed royalty payment
- 3) Danger of image tarnishing
- 4) Lack of freedom
- 5) Limitation on range of products

**1. Franchising fees**

- The initial franchising fee and the subsequent **renewal fees** can be very high in case of successful businesses.

**2. Fixed royalty payment**

- The franchisee has to make payment of royalty to the franchiser on a regular basis.

**3. What is meant by BPO?**

- BPO means getting contractual services of **external** companies or **group** of companies to complete special work or process of a company.

**4. What is meant by Logistics?**

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

**Short Answer Questions****1. What are the Types of Franchising?**

- **Product/trade name franchising**
  - In this type, the franchisee exclusively deals with a manufacture's product.
  - **Example:** Kidzee, French Loaf outlets, Bharat Petroleum bunks.
- **Business format franchising**
  - When a franchisor awards rights covering **all business** aspects as a complete business package to the franchisee it is called business format franchising.
  - **Example:** McDonald's, Pizza Hut, Hot breads, Titan, Color plus.

**2. List the Steps in the Factoring Process**

- 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 basis, an invoice is raised and a copy of the same is sent to the factor.
- The debt amount due to the firm is transferred to the factor through assignment and the same is intimated to the customer.
- On the due date, the amount is collected by the factor from the customer.
- After retaining the service fees, the remaining amount is sent to the firm by the factor.

**3. What is the Impact of E-Commerce on Buyers?**

- Buyers could have global access to information about a variety of products and services available in the market.
- They could buy the products/services round the clock from anywhere in the world.
- The prices of products bought through e-commerce tend to be relatively lower than those purchased physically in the conventional shops due to offers, discounts, etc.
- Electronic and software products could be downloaded immediately after purchase through e-commerce mode.

**Long Answer Questions****1. Enumerate the Advantages of Franchising.**

1. Reduced risk
2. Business expansion
3. Cost of advertising
4. Operational support

**1. Reduced risk**

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

**2. Business expansion**

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

**3. Cost of advertising**

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

**4. Operational support**

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

**2. Elucidate the Features of Factoring**

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

**1. Maintenance of book debts**

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

**2. Credit coverage**

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

**3. Cash advances**

- ❖ Around eighty percent of the total amount of accounts receivables is paid as advance cash to the client.

**4. Collection service**

- ❖ Issuing reminders, receiving part-payments, collecting cheques form part of the factoring service.

**5. Advice to clients**

- ❖ From the past history of debtors, the factor is able to provide advice regarding the creditworthiness of customers, perception of customers about the products of the client, etc.

இங்கு பிழைகள் வெற்றியை தீர்மானிப்பது இல்லை.  
பிழைப்பவன் குடிநீர் போன்ற வெற்றியை தீர்மானிக்கிறது..

**UNIT V SERVICE BUSINESS - III****17. SOCIAL RESPONSIBILITY OF BUSINESS****Choose the Correct Answers**

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

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

**2. The Stakeholders of Socially Responsible business units are except**

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

**3. Assuming Social Responsibility of business helps the enterprise in**

- a) Increase profit                              b) Decrease profit                              c) **Sustainability**                              d) Equilibrium

**4. Socially Responsible business provides goods at**

- a) high price                                      b) Low price                                      c) **Reasonable price**                                      d) Moderate price

**5. Social Responsibility towards employees represents the following except**

- a) Reasonable remuneration                                      b) Proper facilities  
c) Social security                                      d) **Exploitation**

**Very Short Answer Questions**

**1. Give the Meaning of Social Power**

- ❖ All the businessmen have considerable social power.
- ❖ The decisions and actions taken by the businessmen affect the lives and fortunes of society.
- ❖ Businessmen should assume social power.
- ❖ The controls and regulations intervene in the social power of up social responsibility.

**2. What is a Free Enterprise?**

- ❖ A business enterprise which accepts and discharges social obligations enjoys greater freedom.
- ❖ Social responsibilities are essential for avoiding governmental action against business.
- ❖ Such action will reduce the freedom of decision making in business.

**3. What is Ethical Responsibility?**

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

**Short Answer Questions**

**1. Define the Concept of Social Responsibility?**

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

▪ **Peter F. Drucker** (Or)

- ❖ Every businessman earns prosperity from business and should give back the benefit of this prosperity to society.
- ❖ This is voluntary. This benefit is the moral responsibility of business. As this benefit is supposed to be passed on to society, it can be said to be the social responsibility of business.

**2. List the Kinds of Social Responsibility.**

- ❖ Economic Responsibility
- ❖ Legal Responsibility
- ❖ Ethical Responsibility
- ❖ Discretionary Responsibility

**3. What is the Social Responsibility of Business Towards Owners.**

- ❖ Owners are the persons who own the business. They contribute capital and bear the business risks. The primary responsibilities of business towards its owners are to.
  - ❖ Run the business efficiently
  - ❖ Proper utilization of capital and other resources.
  - ❖ Growth and appreciation of capital.
  - ❖ Regular and fair return on capital invested

**Long Answer Questions****1. Explain Need For Social Responsibility? (Any 5)**

1. Self interest
2. Creation of society
3. Social power
4. Image in the society
5. Public awareness
6. Free enterprise
7. Law and order
8. Moral justification
9. Socio cultural norms
10. Professionalism
11. Trusteeship

**1. Self – Interest**

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

**2. Creation of Society**

- ❖ Business is a creation of society.
- ❖ Therefore, it should fulfill its obligations to society.

**3. Social Power**

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

**4. Image in the Society**

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

**5. Free Enterprise**

- ❖ A business enterprise which accepts and discharges social obligations enjoys greater freedom.

## 6. Law and Order

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

## 2. How do you Classify Social Responsibility?

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

### 1. Economic Responsibility

- ❖ Businesses are meant to be economic units. A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic.
- ❖ Economic activities include the activity of production of goods and services that society wants and sell at a profit.

### 2. Legal Responsibility

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

### 3. Ethical Responsibility

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

### 4. Discretionary Responsibility

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

முயற்சிகளை விதைத்தவர்கள் வெற்றிகள் முனையத்தில்லை  
முயற்சியில் பயணம் செய்துகொண்டே யிருந்தால் வெற்றிகள்  
வெகுதூரத்தில்லை முயற்சியின் தொடங்குங்கள்...



## 2. Why MNC's in India?

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

## Long Answer Questions

### 1. Explain the Different Key Elements Of Business Ethics.

1. Top management commitment
2. Publication of a "Code"
3. Establishment of compliance mechanism
4. Involving employees at all levels
5. Measuring results

#### 1. Top management commitment

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

#### 2. Establishment of Compliance Mechanism

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

#### 3. Publication of a "Code"

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

#### 4. Involving Employees at All Levels

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

#### 5. Measuring Results

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

### 2. What are the Benefits of Corporate Governance? (Any 5)

1. Good corporate governance enables corporate success and economic development.
2. Ensures stable growth of organizations.
3. Aligns the interests of various stakeholders.
4. Improves investors' confidence and enables raising of capital.
5. Reduces the cost of capital for companies.
6. Has a positive impact on the share price
7. Eliminates waste, corruption, risks, and mismanagement.
8. Improves the image of the company.

வெற்றி பெற்றவர்கள் என்பது தோல்வி அடையாதவர்கள் அல்ல  
 தோல்வியை நதானம் குழற்சியை கைவிடாதவர்கள் தான்...



**UNIT VI BUSINESS FINANCE****19. SOURCES OF BUSINESS FINANCE****Choose the Correct Answers**

**1. What is defined as the provision of money at the time when it is required?**

- a. Finance  
b. Bank  
c. Cash management  
d. None of these

**2. Internal sources of capital are those that are .....**

- a. Generated through outsiders such as suppliers  
b. Generated through loans from commercial banks  
c. Generated through the issue of shares

**d. Generated within the business**

**3. Debenture holders are entitled to a fixed rate of .....**

- a. Dividend  
b. Profits  
c. Interest  
d. Ratios

**4. Public deposits are the deposits which are raised directly from.....**

- a. The Public  
b. The directors  
c. The auditors  
d. The owners

**5. Equity shareholders are the ..... of a company**

- a. Creditors  
b. Owners  
c. Debtors  
d. Employees

**6. Funds required for purchasing current assets is an example for.....**

- a. Fixed Capital Requirement  
b. Ploughing Back of Profits  
c. Working Capital Requirement  
d. Lease Financing

**7. Which of the following holder is given voting right?**

- a. Debentures  
b. Preference Shares  
c. Equity shares  
d. Bonds

**8. It may be wise to finance fixed assets through.....**

- a. Creditors  
b. Long term debts  
c. Bank Overdraft  
d. Bills Discounting

**Very Short Answer Questions**

**1. Write Short Notes on Debentures**

- \* Debentures are an important instrument for **raising** long term debt capital.
- \* A company can raise funds through the issue of debentures which bear a **fixed rate of interest**.

**2. Name Any Two Sources of Funds Classified Under Borrowed Funds**

- \* Borrowed funds
- \* Debentures
- \* Public deposits
- \* Lease financing
- \* Trade credit
- \* Lease financing

**3. Write Any Two Examples of Post Office Savings Schemes?**

- \* Post Office Fixed Deposit Account (**FD/TD**)
- \* Senior Citizens Saving Scheme (**SCSS**)
- \* Recurring Deposit Account (**RD**)
- \* Post Office Monthly Income Account Scheme (**MIS**)

**Short Answer Questions**

**1. Define Business Finance**

- “The finance function is the process of acquiring and **utilizing** funds by a business”.
- **R.C. Osborn**

**2. What is a Pledge?**

- A customer transfers the possession of an article with the creditor (banker) and receives loan.

- Till the repayment of loan, the article is under the custody of the borrower.
- If the debtor fails to refund the loan, creditor (banker) will auction the article pawned and adjust the outstanding loan from the sale proceeds.

### 3. Classify the Sources of Business Finance On The Basis Of Period

#### Sources of Short-Term finance

1. Loans and Advances
2. Bank Overdraft
3. Trade credit
4. Hypothecation
5. Mortgage
6. Clear loan
7. Commercial paper (CP)
8. Factoring

#### Sources of Medium-Term finance

1. Loan From Banks
2. Lease Financing
3. Loan from Financial institutions

#### Sources of Long – Term Finance

1. Shares
2. Debentures
3. Retained Earnings
4. Public Deposits

### Long Answer Questions

#### 1. Explain the Kinds of Sources of Short Term Finance (Any 5)

1. Loans and Advances
2. Bank Overdraft
3. Trade credit
4. Pledge
5. Hypothecation
6. Mortgage
7. Loans Against the Securities
8. Clear loan
9. Commercial paper (CP)
10. Hire purchase finance.
11. Factoring

##### 1. Loans and Advances

- Loan is a direct advance made in a **lump sum** which is credited to a separate loan account in the name of the borrower. The borrower can withdraw the entire amount in cash immediately.

##### 2. Bank Overdraft

- Bank overdraft refers to an arrangement whereby the bank allows the customers to overdraw the required amount from its **current deposit account** within a specified limit.

##### 3. Discounting Bills of Exchange

- When goods are sold on credit, the suppliers generally draw bills of exchange upon customers who are required to accept it.
- The duration of such bills of exchange may be ranging from 15 days to 180 days.

##### 4. Trade Credit

- Trade credit 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.

## 5. Pledge

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

## 6. Clean Loan

- It simply grants loan **without** any **physical security**. In other words clean loan is loan given **without any security** or with **personal security**.

## 7. Mortgage

- This is a type of loan taken from the bank by loading with the banker title deeds of **immovable assets** like **land and building**.

## 2. Explain Any Five Personal investment Avenues

1. Public Provident Fund (PPF)
2. Mutual Funds
3. Direct Equity or Share Purchase
4. Real Estate investment
5. Investing in metals
6. Post Office Saving Schemes
7. Public Deposits
8. Bonds

### 1. Public Provident Fund (PPF)

- It is the **safest long-term** investment option for investors in **India**.
- It is **totally tax-free**. PPF account can be opened in a **bank** or **post office**.
- The money deposited **cannot be withdrawn before 15 years** and an investor can earn compound interest from this account.
- PPF investor can take a loan against PPF account when he/she experiences financial difficulties.

### 2. Mutual Funds

- An **individual** investor who wants to invest in equities and bonds with a **balance of risk** and return generally can invest in mutual funds.
- Nowadays people invest in stock markets through a mutual fund.

### 3. Unit Linked Insurance Plans (ULIP)

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

### 4. Post Office Saving Schemes

- Post Office Savings Account, Post Office Recurring Deposit Account (**RD**), Post Office Fixed Deposit Account (**FD/TD**), Public Provident Fund Account (**PPF**).

### 5. Real Estate Investment

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

நல்ல நேரத்தில் காத்திருந்து வினாக்கும் பல் பொன்னான  
நல்ல நேரத்தை வாழ்வில் என்ருமே திருந்தி பெற முடியாது.

**20. INTERNATIONAL FINANCE****Choose the Correct Answers**

**1. An instrument representing ownership interest in securities of a foreign issuer is called .....**

- a. An ownership certificate  
 c. An ownership receipt  
 b. **A depositary receipt**  
 d. None of the above

**2. Issuance of DRs is based on the increase of demand in the .....**

- a. **International market**  
 c. Existing shareholders  
 b. Local market  
 d. All of the above

**3. ADRs are issued in .....**

- a. Canada            b. China            c. India            **d. The USA**

**4. Depositary receipts that are traded in an international market other than the United States are called .....**

- a. **Global Depositary Receipts**  
 c. Open Market Depositary Receipts  
 b. International Depositary Receipts  
 d. Special Drawing Rights

**5. .... Bond is a special type of bond issued in a currency other than the home currency.**

- a. Government Bonds  
 c. Corporate Bonds  
 b. **Foreign Currency Convertible Bond**  
 d. Investment Bonds

**Very Short Answer Questions**

**1. Who are Foreign Institutional Investors?**

- The Foreign Institutional Investors (FII) can be defined as an investment made by a Non-resident in the equity of a domestic company without the intention of acquiring management control.
- Organizations like hedge funds, insurance companies, pension funds and mutual funds can be called as institutional investors.

**2. What is a Depositary Receipt?**

- A depositary 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.

**3. What is a GDR (Global Depositary Receipt)?**

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

**4. What is an American Depositary Receipt (ADR)?**

- ADR is a dollar-denominated negotiable certificate representing a non-US company in the US market which allows US citizens to invest in overseas securities.

**Short Answer Questions**

**1. Explain the Importance Of International Finance. (Any 3)**

1. It helps in comparing the inflation rates and getting an idea about investing in international debt securities.
2. It helps in ascertaining the economic status of the various countries and in judging the foreign market.
3. IFRS facilitates comparison of financial statements made by various countries.

## 2. What are Foreign Currency Convertible Bonds?

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

## 3. Explain Any Three Disadvantages of FDI

### 1. Exploiting Natural Resources

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

### 2. Heavy Outflow of capital

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

### 3. Not Transferring Technology

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

## Long Answer Questions

### 1. Distinguish between GDS and ADR

S. No	Basis	Global Depository Receipts	American Depository Funds
1.	Denomination	It is denominated in terms of any freely convertible currency	It is denominated only in US dollars
2.	To whom it is Issued	It is issued to investors in one or across more markets simultaneously	It is issued only to investors, who are residents of the united states of America
3.	Listed in	Non US stock exchange	American stock exchange
4.	Approval	Issue of GDR does not require foreign regulatory clearances.	Issue of ADR requires approval from the securities exchange commission of united states of America.
5.	Negotiation	It is negotiable all over the world	It is negotiable only in America

### 2. State Any Five Features of FCCB

1. FCCB is issued by an **Indian** company in foreign currency.
2. These are listed and traded in the foreign stock exchange and similar to the **debenture**.
3. It is a convertible debt instrument. It carries an **interest** coupon. It is unsecured.
4. It gives its holders the right to convert for a fixed number of shares at a predetermined price.
5. It can be converted into equity or depository receipt after a certain period.

**“அதிகாலை நீ நனைத்த நேரத்தில் எழுந்து விடாலை  
தோல்விகள் உன்னைவிட்டு ஒதுங்கிக்கொள்ளும்”**

**21. MICRO SMALL AND MEDIUM ENTERPRISES AND SELF HELP GROUPS****Choose the Correct Answers****1. MSMED Act was enacted in the year .....**

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

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

- (a) Industrial production (b) Exports (c) Employment (d) **All the above**

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

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

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

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

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

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

**Very Short Answer Questions****1. Give Some Examples for Micro-Enterprises**

1. Clay pot making
2. Fruits and vegetable vendors
3. Repair shops
4. Cottage industries
5. Small industries
6. Handlooms
7. SIPCOT and TANSIDCO are the government micro-enterprises in Tamil Nadu.

**2. What is the Aim of NEEDS?**

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

**3. What is a Self Help Group?**

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

**Short Answer Questions****1. List out the Products Produced by MSME in Tamil Nadu?**

- \* In Tamil Nadu, the MSMEs sector produces a wide variety of products in almost all fields.
- \* The prominent among them are the **textile, electronic products, engineering products, auto ancillaries, leather products, chemicals, plastics, garments, jewellery etc.**

**2. What is the Role and Significance of MSMEs in Indian Economy?**

- \* Employment potential
- \* Low production cost

- \* Low investment
- \* Quick decision making
- \* Supplementary role
- \* Balanced regional development

### 3. Explain Any Three Features of the Self Help Group

1. The motto of **every** group members should be “**saving first – credit later**”
2. Self Help Group is homogeneous in terms of economic status.
3. The ideal size of a Self Help Group ranges between **10 and 20 members**.
4. The groups need **not** be **registered**.
5. Each group should have **only one member** from **one single family**.

### Long Answer Questions

#### 1. Explain MUDRA bank

1. The government of India has launched MUDRA bank with a **capital** amount of Rs. **20,000 crore**, and **credit** guarantee corpus of Rs. **3,000 crore**.
2. To help Micro Small and Medium Enterprises (MSME) and startups to resolve problems relating to financing
3. MUDRA bank refines Micro finance institutions through a Pradhan Mantri Mudra Yojana (**PMMY**).
4. These measures will greatly increase the self confidence of **young, educated** or **skilled** workers to become **first generation entrepreneurs**.

#### 2. What are the Objectives of SHGs? (Any 5)

1. Focusing on the empowerment of **women**.
2. Saving people from the **clutches** of **money lenders**
3. Building capacity of women and enabling them to participate in generating activities.
4. Creating the **habit** of **saving** in the minds of the people who are economically backward.
5. Promoting entrepreneurship **skills** among women.
6. Creating **awareness** about the importance of credit circle or revolving credit and the payment of the circle.
7. Elevating the economic standard of the member's families.
8. Developing skills and facilitating credit linkages for eventual economic empowerment.
9. Enabling the members to overcome all social and economic barriers.
10. Promising and ensuring human rights to women at all stages of their life cycle.

நான் மெதுவாக நடப்பவன் ஆனால் ஒருபோதும் பின் வாங்குவதில்லை..

**UNIT 07. TRADE**  
**22. TYPES OF TRADE**

**Choose The Correct Answers**

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

**Very Short Answer Questions**

**1. Give the Meaning of Trade?**

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

**2. What is International Trade?**

- It is a trade between a seller and buyer of **different countries**.
- It involves the exchange of goods and services of **one country with another country**.

**3. What is Import Trade?**

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

**4. Explain the Meaning of the Entrepot Trade.**

- Entrepot trade means importing goods from one country and exporting the **same** to foreign countries.
- It is also known as 'Re-export trade'

**Short Answer Questions**

**1. Explain the Types of Internal Trade?**

- **Wholesale Trade**
  - "Purchase of goods in **bulk** from the manufactures and selling them in smaller quantities to other intermediaries" is known wholesale trade.
- **Retail Trade**
  - Retail trade deals with the distribution of goods in **small** quantities to the consumers.

**2. Give Three Examples of India's Import and Export Items**

- **Import items**
  - Mineral fuels including oil
  - Gem, precious metals
  - Electrical machinery and equipments



- **Export items**
  - Petroleum products
  - Jewelry
  - Automobile

### Long Answer Questions

#### 1. What are the Features of Internal Trade? (Any 5)

1. The buying and selling of goods take place **within** the **boundaries** of the **same country**.
2. Payment for goods and services is made in the currency of the **home** country.
3. It involves transactions between the **producers, consumers, and middlemen**.
4. In-home trade, the laws prevailing in that country only have to be followed.
5. The aim of home trade is to provide goods and services economically.
6. The goods must be a part of **domestic** production.
7. Goods can be delivered using locally available modes of transport.

#### 2. Explain Briefly The Different Types Of Foreign Trade?

- ❖ Foreign trade is a trade between a seller and buyer of different countries. It involves the exchange of goods and services of one country with another country.

#### Types of Foreign Trade

1. Import Trade
2. Export Trade
3. Entrepot Trade

##### 1. Import Trade

- ❖ Import trade means buying goods from a foreign country for domestic use.
- ❖ **Example.** India imports petroleum products from Gulf Countries. India imports machinery, equipment, materials, etc.
- ❖ It is necessary to speed-up industrialization, meet consumer demands, and improve the standard of living.

##### 2. Export Trade

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

##### Examples:

1. Export of Iron ore from India to Japan
2. Selling of Tea from India to England.
3. Export of jasmine flowers from Madurai to Singapore.

##### 3. Entrepot Trade

- Entrepot trade means importing goods from one country and exporting the same to foreign countries.
- It is also known as 'Re-export trade'.

##### Example:

- Indian diamond merchants in surat import uncut raw diamonds from south Africa

இருவில் இருந்து வெளிச்சத்தை காட்டுவதே கல்வி, அதை கற்பித்து தவம் கற்றிர்ப்பது வரம் யார் கைவிட்டாலும் கற்றுது கைவிட்டது உன்னை..

## 23. CHANNELS OF DISTRIBUTION

### Choose The Correct Answers

1. Trade middleman who acts as a link between wholesaler and customers refers to a.....
  - a. Producer
  - b. Broker
  - c. **Retailer**
  - d. Customer
2. Who is the first middleman in the channel of distribution?
  - a. **Wholesaler**
  - b. Producer
  - c. Retailer
  - d. Customer
3. .... buy the goods from the producer and sell it to the retailers.
  - a. Manufacturer
  - b. **Wholesaler**
  - c. Retailer
  - d. consumer
4. .... are agents who merely bring the buyer and the seller into contact.
  - a. **Broker**
  - b. Commission agent
  - c. Selling agent
  - d. Stockiest
5. Merchant middlemen can be classified into ..... categories.
  - a. Three
  - b. **Two**
  - c. Five
  - d. Four
6. Wholesalers deal in.....quantity of goods.
  - a. Small
  - b. **Large**
  - c. Medium
  - d. Limited
7. A..... is a mercantile agent to whom goods are entrusted for sale by a principal and takes physical possession of the goods, but does not obtain ownership.
  - a. Broker
  - b. **Factor**
  - c. Warehouse-keeper
  - d. Commission agent

### Very Short Answer Questions

#### 1. Who is a Middleman?

- ❖ The term 'Middlemen' refers to all those who are in the **link between** the **primary producer** and the **ultimate consumer** in the exchange of goods or services.
- ❖ **Two** main categories: Mercantile Agents, Merchant Middlemen.

#### 2. Define Retailer

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

#### 3. Who is a Broker?

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

#### 4. What are the Classifications of the Merchant Middlemen?

1. Wholesalers
2. Retailers

##### 1. Wholesalers

Wholesale Trade means buying and selling goods in relatively large quantities or in bulk.

##### 2. Retailers

Retail trade is a trade that deals with the distribution of goods in small quantities to the end consumers.

#### 5. Who are the Mercantile Agents?

- ❖ Mercantile Agents are also called **functional middlemen**.
- ❖ A businessman **appoints** a person to **buy** and **sell goods** on his **behalf** and gives him the **right** to borrow money on the security of goods.

**Short Answer Questions****1. Explain the Types of Mercantile Agents.**

- ❖ Kinds of Mercantile Agents or Agent Middlemen:
  1. Brokers
  2. Factors
  3. Commission Agents
  4. Del – credere Agents
  5. Auctioneers
  6. Warehouse keepers.

**Brokers**

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

**Factor**

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

**Commission Agents**

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

**2. Explain Any Three Characteristics Of Wholesalers.**

1. Wholesalers buy goods directly from producers or manufacturers.
2. Wholesalers buy goods in large quantities and sell in relatively smaller quantities.
3. Wholesalers sell different varieties of a particular variety of products.
4. They need large amount of capital to be invested in his business.
5. They generally provide credit facility to retailers.

**Long Answer Questions****1. What are the Characteristics of Retailers?**

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

**2. What are the Characteristics of Wholesalers? (Any 5)**

1. Wholesalers buy goods **directly** from **producers or manufacturers**.
2. Wholesalers buy goods in **large quantities** and sell in relatively smaller quantities.
3. Wholesalers sell different varieties of a particular variety of product.
4. They employ a number of agents or workers for distribution of products
5. They need **large** amount of **capital** to be invested in his business.
6. They generally **provide credit facility to retailers**.
7. They also provide financial assistance to the producers or manufacturers.

**3. What are the Functions of Wholesalers? (Any 5)**

1. Collection of goods
2. Storage of goods
3. Distribution
4. Financing
5. Risk taking

**1. Collection of Goods**

❖ Wholesaler collects the goods from manufacturers or producers in bulk.

**2. Storage of Goods**

❖ Wholesaler collects and **stores** them **safely** in **warehouses**, till they are sold out.

**3. Distribution**

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

**4. Financing**

❖ Wholesalers provide financial support to producers and manufacturers by providing money in advance to them.

**5. Risk Taking**

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

**6. Grading Packing and Packaging**

❖ Wholesaler classifies the goods into different categories.

**7. Providing Information**

❖ Wholesalers provide valuable information to retailers and producers.

**8. Transportation**

❖ A wholesaler arranges for the transport of goods from producers to his warehouse and from the warehouse to retailer.

**4. What are the Functions of Retailers?**

1. Buying
2. Storage
3. Selling
4. Grading and packing
5. Risk bearing

**1. Storage**

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

**2. Selling**

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

**3. Grading and Packing**

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

**4. Risk-bearing**

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

**5. Transportation**

- ❖ Retailers often carry goods from manufacturers to their retail outlets.

**6. Financing**

- ❖ Some retailers grant credit facilities to their customers and provide the facility of return or exchange of goods. Door delivery and after-sale service are provided by retailers.

**5. Distinguish between Wholesaler and Retailer (Any 5)****1. Link:**

- ⇒ **Wholesaler** serves as a link between producers and retailers. On the other hand,
- ⇒ **Retailer** provides a link between wholesalers and consumers.
- ⇒ **Wholesaler** is the first link,
- ⇒ **Retailer** is the last link in the chain of distribution of goods.

**2. Scale of Operations:**

- ⇒ **Wholesaler** carries on business on a large scale and requires huge capital.
- ⇒ **Retailer**, on the other hand, deals generally on a small scale and capital invested in retail trade is relatively small.

**3. Range of Goods:**

- ⇒ **Wholesaler** generally deals in one commodity.
- ⇒ **Retailer** deals in a large variety goods and caters to the diverse needs of his end customers.

**4. Dealings:**

- ⇒ **Wholesaler** generally sells goods to retailers on credit.
- ⇒ **Retailer** usually sells goods to end consumers on cash basis.

**5. Purpose of Selling:**

- ⇒ **Wholesaler** sells goods for resale. On the other hand,
- ⇒ **Retailer** sells goods for ultimate consumption or use.

**6. Source of Supply:**

- ⇒ **Wholesaler** buys goods from manufacturers and their agents in large quantities. On the other hand,
- ⇒ **Retailer** generally buys goods from wholesalers and their agents in small quantities.

**7. Location:**

- ⇒ **Wholesaler** operates his business in big commercial cities and expand his business to different areas.
- ⇒ **Retailer** operates in a smallest village and also big cities and locates his business in particular place of area.

முடியும் என்றால் முயற்சிசெய் முடியாது என்றால் பயிற்சிசெய்...  
வெற்றி நடக்கே..

## 24. RETAILING

### Choose The Correct Answers

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

### Very Short Answer Questions

#### 1. State the Meaning of Multiple Shops

- ❖ A number of identical retail shops with similar appearance normally deal in standardized and branded consumer products established in different localities owned and operated by manufacturers or intermediaries are called as **Chain stores** or **Multiple shops**.

#### 2. What is Meant by Vending Machines?

- ❖ Automatic vending machine is a new form of **direct selling**.
- ❖ It is a machine operated by **coins or tokens**.
- ❖ It is placed at **railway stations, airports, petrol pumps**, etc.

#### 3. What are Specialty Stores?

- ❖ Specialty Stores **deal in a particular type** of product under **one product line only**.
- ❖ For **example**, Sweets shop specialized in Tirunelveli Halwa, Bengali Sweets, etc.

### Short Answer Questions

#### 1. Explain the Characteristics Of Super Markets. (Any 3)

- ❖ Supermarkets are generally situated at the **main shopping** centers.
- ❖ The goods kept on **racks** with the **clearly labeled price** and **quality tags** in such stores.
- ❖ The goods are sold on **cash basis only**. **No credit** facilities are made available.
- ❖ It requires **huge** investment.
- ❖ **Supermarkets** are organized on **departmental** basis.

#### 2. Explain the demerits of Multiple shops? (Any 3)

- ❖ Limited variety
- ❖ Absence of services
- ❖ Lack of personal touch
- ❖ Inflexibility

##### 1. Limited variety

- ❖ Multiple shops deal only in limited range of products.

##### 2. Absence of services

- ❖ Customers do not get credit, home delivery and other facilities.

##### 3. Lack of personal touch

- ❖ The owner loses direct personal contact with the customers. The paid staffs do not take a personal interest in each and every customer.

**Long Answer Questions****1. State the Features of Departmental Stores**

- ❖ Large size
- ❖ Wide choice
- ❖ Departmentally organized
- ❖ Facilities provided
- ❖ Centralized purchasing

**1. Large size**

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

**2. Wide Choice**

- ❖ It acts as a universal provider of a wide range of products from Pin to Car
- ❖ To satisfy all the expected human needs less than one roof.

**3. Departmentally organized**

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

**4. Facilities provided**

- ❖ It provides a number of facilities and services to the customers.
- ❖ Such as restaurants, rest rooms, recreation, packing, frees home delivery, parking.

**5. Centralized purchasing**

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

**2. Explain the Different Types of Retailers (Any 5)****❖ Itinerant or mobile traders**

- Peddlers and hawkers
- Street traders
- Market traders
- Cheap jacks traders

**❖ Fixed shop small retailers**

- Street stalls
- General stores
- Single line stores
- Specialty stores
- Second shops

**❖ Fixed shop large retailers**

- Departmental stores
- Chain stores
- Supermarkets
- Mail order houses
- Shopping malls
- Automatic vending machines
- Online shopping

**1. Itinerant or mobile traders**

- ❖ The traders who have **no fixed place** of sale are called itinerants.
- ❖ They **move from one place to another place** in search of customers.
- ❖ They are also known as **Mobile traders**.

**2. Street vendors**

- ❖ The traders **sit on the footpath** of the **road** or at the **end** of the road (pavement) and sell their goods such as **fruits, vegetables, books**, etc.

**3. Cheap Jacks**

- ❖ Those retailers who have independent shops of temporary nature in a business locality are depending upon the **potentiality** of the **area**.
- ❖ They deal in consumer goods and services such as shoes and **chappals, plastic items, repair of watches, etc.**

**4. Fixed shop Retailers**

- ❖ The retailers who maintain **permanent** establishment to sell their goods are called fixed shop retailers.
- ❖ They **do not move from place to place** to serve their customers.

**5. Specialty stores**

- ❖ Specialty Stores deal in a particular type of product under **one product line only**.
- ❖ For example, Sweets shop specialized in Tirunelveli Halwa, Bengali Sweets, etc.

**6. Seconds shops**

- ❖ These shops deal with second hand goods or used articles in a **low price** such as **books, furniture, utensils, clothes, automobiles**, etc..

**7. Automatic Vending Machines**

- ❖ Automatic vending machine is a new form of **direct selling**.
- ❖ It is a machine operated by **coins** or **tokens**.
- ❖ It is placed at **railway stations, airports, petrol pumps**, etc.

அனைத்திலும் ஆரம்பம் கடினமாகத்தான் இருக்கும்..  
விட்டு விடாதே! கற்றுக் கொள்ளுங்கள்!



**UNIT 8. INTERNATIONAL BUSINESS****25. INTERNATIONAL BUSINESS****Choose The Correct Answers**

**1. Movement of goods, services, intellectual property, human assets, technology and so on among the countries.....**

- (a) International Trade (b) International business  
(c) Entrepot Trade (d) Internal trade

**2. Goods are imported for purpose of re-export to another country is termed as.....**

- (a) Import Trade (b) Export Trade  
(c) Entrepot Trade (d) International trade

**3. Movement of goods, services among the countries.....**

- (a) International Trade (b) International business  
(c) Entrepot Trade (d) Internal trade

**4. Selling of goods from home country to a foreign country is called.....**

- (a) Home Trade (b) Entrepot Trade  
(c) Foreign Trade (d) Joint Venture

**Very Short Answer Questions**

**1. What do you mean By International Business?**

⇒ International business denotes all those business activities which take place **beyond** the **geographical limits** of the country.

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

**2. What is meant by Export Trade?**

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

⇒ Export trade indicates the selling of goods and services from the home country to a foreign country.

⇒ **Example:** the sale of handicrafts, leather products, etc.

**3. What is Meant by Import Trade?**

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

⇒ Importing means the purchase of foreign products and bringing them into one's home country.

**4. What is meant by Entrepot Trade?**

⇒ When the firm of country imports goods for the purpose of exporting the **same** goods to the firms of some other country with or without making any change in the goods meant for export it is known as Entrepot trade or Re-export trade

⇒ **For example:** If an Indian company imports crude oil from Iran and exports it as petroleum after refining it in India; Nepal, it is called Entrepot trade.

**Short Answer Questions**

**1. Explain Any Three Features of International Business**

1. Involvement of countries
2. Use of foreign exchange
3. Legal obligations
4. Heavy documentation work
5. Difference in economic environment

**1. Involvement of countries**

⇒ International business can take place only when transactions occur across different countries.

**2. Use of foreign exchange**

⇒ Where countries trade with one another, it has to exchange the goods and services on the basis of foreign currency.

**3. Legal obligations**

⇒ Foreign trade is to be conducted strictly in accordance with the export and import policy of the country concerned.

⇒ Government intervention is direct in respect of international transactions.

**2. Explain the Features of Entrepot Trade**

⇒ Import duty is not levied on such goods

⇒ These goods are reprocessed and repacked for re-export

⇒ Such goods are kept in the Bonded warehouse till they are re-exported.

**Long Answer Questions****1. List out the Advantages of international Trade (Any 5)**

1. Geographical specialization
2. Optimum use of natural resources
3. Economic development
4. Generation of employment
5. Higher standard of living
6. Price equalization
7. Prospects for higher profit
8. Capacity utilization
9. International peace

**1. Geographical Specialization**

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

**2. Optimum use of Natural Resources**

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

**3. Economic Development**

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

**4. Generation of Employment**

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

**5. Higher Standard of Living**

- On account of international business, the citizens of the country can buy more varieties of goods and services which cannot be produced cost-effectively within the home country.

**6. Price Equalization**

- International business helps to stabilize the prices of various commodities which are fluctuating on a daily basis in the world market.

**7. Prospects for Higher Profit**

- International business helps the firms which produce goods in excess to sell them at a relatively higher price to various countries in the international market.

**8. Capacity Utilization**

- International business enables firms across the country to sell their goods and services on a large scale in the international market.

**9. International Peace**

- International business makes countries across the world become inter-dependent while these countries are independent in their functioning.

**2. Distinguish between Internal (Domestic) and International trade (Business)**

S.No	Basis	Internal Trade or Domestic Business	International Trade(Business)
1	Participants in the business	With in the country people	Outside of the country people
2	Mode of transport	It is mainly transported by roadways and railways	It is mainly transported by water and airways
3	Currency used	Local currency of a country	Foreign currencies
4	Risk exposure	The risks are relatively less	This risks are high
5	Scope of market	The scope of market is limited	The scope of market is unlimited

முடியும் வரை முயற்சி செய்... உன்னால் முடியும் வரை அல்லை...  
நீ நினைத்த செயல் முடியும் வரை...

## 26. EXPORT AND IMPORT PROCEDURES

### Choose The Correct Answers

#### 1. EPC stands for .....

- a) Export processing commission  
 c) Export Carriage council  
 b) **Export Promotion Council**  
 d) Export Promotion Congress

#### 2. STC is expansion for .....

- a) State Training Centre  
 c) State Trading Centre  
 b) State Training Council  
 d) **State Trading Corporation**

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

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

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

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

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

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

### Very Short Answer Questions

#### 1. What is meant by Indent?

- An indent actually points to an order received from abroad for export of goods, i.e. sale of goods.
- Indent is prepared in duplicate. One copy of the indent is sent to the exporters and second one is retained by the importer and kept in his records.

#### 2. Mention the Types Of Indent?

- Open Indent
- Closed Indent
- Confirmatory Indent

#### 3. What is meant by Letter of Credit?

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

### Short Answer Questions

#### 1. What are the Contents of Indents? (Any 3)

- ⇒ Quantity of goods sent
- ⇒ Mode of shipment
- ⇒ Design of goods
- ⇒ Period of delivery
- ⇒ Price
- ⇒ Mode of payment

#### 2. What is meant by Mate's Receipt?

- It is the document issued by the **captain** of the ship **acknowledging** the receipt of goods on board by him, to the port of specified destination.
- This contains **details** like **quantity** of goods shipped, number of packages condition for packing. Where the mate is satisfied with packing he/she issues clean receipt.
- If he is **not satisfied** with the packing, he issues a foul receipt.

### 3. What are all the Documents Used in Import Trade?

- Import License
- Indent
- Letter of Credit
- Bill of lading
- Bill of exchange
- Advice note

### Long Answer Questions

#### 1. What are the Objectives of Import Trade?

##### 1. Achieving Rapid Industrialization

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

##### 2. Meeting Consumer Demand

- Certain goods are either not available or cannot be manufactured/produced adequately to meet the growing demand in the home country.

##### 3. Upgrading Standard of Living of the People

- Consumers are able to use a wide variety of goods like cell phones, car laptops, television audio systems, washing machines, perfume, soaps, etc., manufactured in foreign countries and enhance their standard of living through import trade.

##### 4. Meeting Shortage Situation

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

##### 5. Strengthening Defense

- Many countries around the world import defense equipment for their armed force.
- Such imports enable the country to ensure its sovereignty and territorial integrity.

#### 2. Distinguish Between Bill of Lading and Charter Party

S.No	Basis	Bill of Lading	Charter Party
1	Transferable	It can be transferred to third party	It cannot be transferred to third party
2	Loan	Loan can be raised against it	Loan cannot be raised against it
3	Crew	Master and crew remain the agent of ship owner	Master and crew become the agent of exporter for a temporary period
4	Lease	It is not a lease of ship	It is a lease of ship
5	Meaning	This represents a document acknowledging the receipt of goods on board for carrying them over to specified port of destination.	It refers to an agreement to hire a whole or major part of ship when the goods take exported is heavy.



- WTO is committed to **protecting free trade**. It has framed rules on subsidies and dumping.

### Long Answer Questions

#### 1. Point out the Objectives of WTO (Any 5)

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

#### 2. Write down the functions of IMF Meaning (Any 5)

1. It acts as short term credit institution at the international level.
2. It provides machinery for ordinary adjustments of exchange rates.
3. It has a reservoir of currencies of the member countries from which a borrower can borrow currencies of other nations.
4. It promotes economic stability and global growth by encouraging countries to adopt sound economic and financial policies.
5. It offers technical assistance and training to help member countries strengthen and implement effective policies. Technical assistance is offered in formulating banking, fiscal, monetary, and exchange policies.
6. It helps member countries correct their imbalance in the balance of payment.

நான் எடுக்கும் முடிவு சரியானதா என்று எனக்குத் தெரியாது ஆனால் எடுத்த முடிவை நான் சரியாக்குவேன்..

## 28. BALANCE OF TRADE AND BALANCE OF PAYMENTS

### Choose The Correct Answers

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

- (a) **Balance of Payment** (b) Balance of Trade  
(c) Statement of Receipts and Payments (d) Accounting Statement

**2. The Balance of Payments councils consists of.....**

- (a) Current Account (b) Capital Account  
(c) Receipts and Payments Account (d) **Both Current Account and Capital Account**

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

- (a) Official Capital (b) **Private Capital**  
(c) Banking Capital (d) Both Private and Official Capital

**4. The term official capital includes.....**

- (a) RBI holdings of foreign currencies  
(b) Special Drawing Rights held by the Government

(c) **Both A and B**

- (d) Foreign Investment

**5. Balance of payments surplus indicates.....**

- (a) **Exports are more than the Imports**  
(b) Imports are more than Exports  
(c) Exports and Imports are at Equilibrium  
(d) Exports and Imports are above Equilibrium

### Very Short Answer Questions

**1. What do you Mean by Balance of Payments?**

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

**2. What do you Mean by Balance of Trade?**

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

### Short Answer Questions

**1. What are the Credit Items Shown In Currents Accounts?**

- A. **Goods Export** (visible)  
B. **Invisible-Exports**
- Transport service sold abroad
  - Banking service sold abroad
  - Insurance service sold abroad
  - Income received on loan and investment made in foreign countries
  - Expenses incurred by foreign tourists in India

**2. State the Components Of The Capital Account.**

Capital account consists of three components

- 1) Private Capital:** Private capital consists of foreign investments, long term loan and foreign currency deposits



- 2) **Banking Capital:** Banking capital includes movement into external financial asset and liabilities commercial and co operative banks authorized to dealing in foreign exchange.
- 3) **Official Capital:** It includes RBI's holdings of foreign currency and special drawing rights (SDR) held by the Government

### Long Answer Questions

#### 1. Write Any Five Features of Balance of Payments?

- 1) It is a **systematic record** of **all** economic transactions between one country and certain other countries of the world.
- 2) It is prepared for a period of **3 months or 12 months**.
- 3) It contains all receipts and payments both **visible and invisible**.
- 4) It includes all economic transactions both recorded on current account and capital account.
- 5) It indicates a country's position in foreign trade.

#### 2. Distinguish Between Balance Of Payment And Balance Of Trade. (Any 5)

S.No	Basis	Balance Of Payment	Balance Of Trade
1	Meaning	It is a systematic record of all economic transactions happened between the resident of one country and resident of foreign countries during a particular period.	Balance of trade is statement showing the net effect of export import of a country.
2	Nature of transactions recorded	It records both the transactions relating to goods and services	It records only transactions relating to goods transactions
3	Capital transactions	It records capital transactions	It does not record capital transactions
4	Net position	It always remains balanced in the sense that receipt side is made equal to payment side	It may be at favorable or unfavorable in equilibrium state
5	Indicator economic status	It is true indicator of economic performance of an economy	It is not true indicator of economic relations of country

ஒரு செயலை செய்ய முடியாமல் போனதற்கு காரணங்களை தேடாதீர்கள்.  
அதை எப்படியாவது செய்து முடிப்பதற்கான முயற்சிகளில் கவனம் செலுத்துங்கள்!

**UNIT 9. THE INDIAN CONTRACT ACT****29. ELEMENTS OF CONTRACT****Choose The Correct Answers**

1. An agreement enforceable by law is a .....

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

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

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

3. Void agreement signifies .....

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

4. Acceptance to be valid must .....

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

5. A contract with or by a minor is a .....

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

**Very Short Answer Questions**

1. What is Law?

- Law means a 'set of rules' which governs our behaviour and relating in a civilized society. So there is no need of law in an uncivilized society.

2. What is meant By Contract?

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

3. How Many Parts of Indian Contract Law are classified?

1. General Contracts 2. Special Contracts

**Short Answer Questions**

1. What is meant by Offer?

- "When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other person either to such act or abstinence, he is said to make a proposal"

2. What do you mean by Agreement?

- An "agreement" means 'a promise or a set of promises' forming consideration for each other.
- A promise arises when a proposal is accepted. By implication, an agreement is an accepted proposal. In other words, an agreement consists of an 'offer' and its 'acceptance'.
- **Agreement = offer / Proposal + Acceptance**

3. What is meant by Voidable Contract?

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

## Long Answer Questions

### 1. Explain the Essentials of a Valid Contract (Any 5)

- 1) Offer and acceptance
- 2) Legal relationship
- 3) Lawful consideration
- 4) Lawful object
- 5) Free consent
- 6) Capacity of parties
- 7) Certainty of terms
- 8) Possibility of performance
- 9) Not declared void
- 10) Necessary legal formalities

#### 1. Offer and Acceptance

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

#### 2. Legal Relationship

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

#### 3. Lawful Consideration (quid pro quo)

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

#### 4. Lawful Object (Section 23)

- The object of the agreement should be lawful and legal.
- It must not be immoral, illegal or opposed to public policy.

#### 5. Free Consent (Section 13 & 14)

- Consent of the parties must be free and genuine. Consent means agreeing upon the same thing in the same sense at the same time i.e. there should be a consensus – ad – idem. Consent is said to be free when it is not caused by coercion, undue influence, fraud, misrepresentation, or mistake.

#### 6. The capacity of Parties (Section 11)

- The parties to a contract must have the capacity (legal ability) to make a valid contract.

#### 7. The certainty of Terms (Section 29)

- The agreement should be clear to the parties of the agreement.
- The agreement must be precise.

#### 8. Possibility of Performance (Section 56)

- The terms of the agreement should be capable of performing. An agreement to do an act, impossible in itself cannot be enforced.

#### 9. Not declared Void

- The agreement should be such that it should be capable of being enforced by law. Certain agreements have been expressly declared illegal or void by the law.

#### 10. Necessary Legal Formalities

- A contract may be oral or in writing. Where a particular type of contract is required by law to be in writing and registered, it must comply with necessary formalities as to writing, registration, and attestation.

## 2. Difference between Contract and Agreement

S.No	Basis	Contracts	Agreement
1	Definition	It is an agreement enforceable by law	It is every promise forming consideration
2	Enforceability	Every contract is enforceable	Every promise is not enforceable
3	Inter relationship	It includes an agreement	It does not include a contract
4	Validity	Only legal agreements are called contracts	An agreement may be both legal and illegal
5	Legal obligation	Every contract contains a obligation	It is not necessary for every agreement to have legal obligation

## 3. Explain the Classification of Contract On The Basis Of the Performance

- 1) Executed contract
- 2) Executory contract
- 3) Unilateral contract
- 4) Bilateral contract

### 1. Executed Contract

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

### 2. Executory Contract

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

### 3. Unilateral Contract

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

### 4. Bilateral Contract

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

“எந்த ஒரு செயலையும் ஆர்வம் குறையாமல் நம்பிக்கையுடன் செய்தால் வெற்றி நம்மை தேடி வரும்”

### 30. PERFORMANCE OF CONTRACT

#### Choose The Correct Answers

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

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

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

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

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

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

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

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

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

- a. Promisor  
b. Promisee  
c. Agent  
d. Legal Representative

#### Very Short Answer Questions

1. State the Ways of Performing a Contract

- There are mainly **two** ways of performing a contract such as:
  - 1) Actual Performance
  - 2) Attempted Performance

2. Who is a Legal Representative?

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

3. Who is an Agent?

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

4. What is Meant by Reciprocal Promise?

- Promises which form consideration or part of the consideration for each other are called 'reciprocal promise'.

#### Short Answer Questions

1. Who can Demand Performance?

- 1) Promisee
- 2) Legal Representative
- 3) Third-Party

**1. Promisee**

- Only a promisee can demand performance and not a stranger demand performance of the contracts.

**2. Legal Representative**

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

**3. Third party**

- Exception to “stranger to a contract”

**2. Who Will Perform the Contract?**

1. Promisor himself
2. Agent
3. Representations
4. Third Person
5. Joint Promisor

**3. What are the Kinds of Reciprocal Promise?**

- Mutual and independent
- Mutual and dependent
- Mutual and concurrent

**1. Mutual and independent**

- Where each party must perform his promise independently without the performance of the other, the promise are mutual and independent.

**2. Mutual and Dependent**

- Where the performance of the promise by one party depends upon prior performance of promise by the other party, the promises are conditional and dependent.

**3. Mutual and Concurrent**

- Where the two promises are said to be performed simultaneously, they are said to be mutual and concurrent.

**Long Answer Questions****1. Explain the Essentials of A Valid Tender Of Performance (Any 5)**

1. It must be **unconditional**
2. It must be for the whole obligation and must not be in installments if the contract requires in full. It must be by a person who is in a position and willing to perform the promise.
3. It must be at the proper time and place.
4. It must be in proper form.
5. It must be made to a proper person i.e. to the promisee or his authorized agent.
6. In case of the tender of goods, the promisee must be given a reasonable opportunity to inspect the goods.
7. It may be made to one of the several joint promisees.

**2. How do you Think Appropriation of Payments Takes Place?**

- Appropriation means application of payments the question of appropriation of payments arises when a debtor owes several debts to the same creditor and makes a payment that is not sufficient to discharge the whole indebtedness.

**1. Appropriation of Payments**

- Sometimes, a debtor owes several distinct debts to the same creditor and he makes a payment which is insufficient to satisfy all the debts.
- In such a case, a question arises as to which particular debt the payment is to be appropriated.
- Section 59 to 61 of the Act lay down the following rules as to appropriation of payments which provide an answer to this question.

- Therefore, where the debtor expressly states that the payment is to be applied to the discharge of a particular debt, the payment must be applied accordingly.

## 2. Application of payment where debt to be discharge is not indicted

- If section 60 is attracted, the creditor shall have the discretion to apply such payment for any lawful debt which is due to him from the person making the payment.

## 3. Application of payment where neither party appropriates section 61

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

ஆயிரம்பேர் உனக்கு வாய்ப்புகளை ஏற்படுத்திகொடுத்தாலும்...  
அந்த வாய்ப்பை வெற்றியாக மாற்ற நீ நினைத்தால், நீ உழைத்தால்  
மட்டுமே முடியும்...!!





**Long Answer Questions****1. Explain the Ways of Discharge of Contract?****Meaning**

- Discharge of contract implies termination of the contractual relationship between the parties. A contract is discharged if it ceases to operate and when the rights and obligations created by it come to an end.

**1. Discharge by Performance**

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

**2. By Agreement on Consent**

- Agreement between the parties comes to an end by mutually agreeing for it. Any contract is created by an agreement, hence in the same way; it can be discharged by an agreement. In this connection, the rule of law is as follows.
- “Eodem modo quos and quide constitution, eodem modo destruitur,” the meaning of which is that a thing may be destroyed in the same manner, in which, it is constituted.
- The consent may be of the following types
  - (i) **Express**
  - (ii) **Implied**

**3. By Impossibility of Performance**

- A contract may be discharged if its performance becomes impossible. According to the Section 56 of the Act, all acts to do impossible acts are void.
- There are two types of impossibility of performance such as
  1. Impossibility existing at the time of agreement,
  2. Impossibility arising subsequent to the formation of contract.

**4. By Lapse of Time**

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

**5. By operation of law**

- The operation of law by which contract can be discharged are as follows :
- By death, merger, insolvency, unauthorized alteration of the terms of a contract.

**2. What is Meant By Damage And What Are Its Types?**

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

- Section 73 of the **Indian Contract Act, 1872** deals with the compensation for loss or damages caused by a party for breach of contract.
- There are mainly **four** types of **damages**, such as
  - ☞ Ordinary damages
  - ☞ Special damages
  - ☞ Vindictive or exemplary damages; and
  - ☞ Nominal damages

விரிசுத வரை சிறகுள் பாரம்தான் விரிதும் பார்த்தால்  
வானம் க.ட. தொடுதாரம்தான்...

**UNIT 10. DIRECT AND INDIRECT TAX****32 DIRECT TAX****Choose The Correct Answers****1. Income Tax is .....**

- a) a business tax                      **b) a direct tax**                      c) an indirect tax                      d) none of these

**2. Period of assessment year is .....**

- a) **1<sup>st</sup> April to 31<sup>st</sup> March**                      b) 1<sup>st</sup> March to 28<sup>th</sup> Feb  
c) 1<sup>st</sup> July to 30<sup>th</sup> June                      d) 1<sup>st</sup> Jan. to 31<sup>st</sup> Dec

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

- a) Assessment Year                      **b) Previous Year**  
c) Light Year                      d) Calendar Year

**4. The aggregate income under five heads is termed as .....**

- (a) Gross Total Income                      **(b) Total Income**  
(c) Salary Income                      (d) Business Income

**5. Agricultural income earned in India is .....**

- a) Fully Taxable                      **b) Fully Exempted**  
c) Not Considered for Income                      d) None of the above

**Very Short Answer Questions****1. What is Income Tax?**

- Income tax is a **direct tax** under which tax is calculated on the **income, gains, or profits earned** by a **person** such as individual's and other artificial entities
- A partnership firm, company, etc

**2. What is meant by the Previous Year?**

- The **year in which income is earned** is called the **previous year**.
- It is also called as **financial year**.
- It is also normally consisting of a period of 12month commencing on **1<sup>st</sup> April** every year and ending on **31<sup>st</sup> March** of the following year.

**3. What is an Assessment Year?**

- The **year in which tax is paid** is called the assessment year.
- It normally consists of a period of 12 months commencing on **1<sup>st</sup> April** every year and ending on **31<sup>st</sup> March** of the following year.

**Short Answer Questions****1. List out the Five Heads of Income**

- 1) Income from 'Salaries' [Sections **15 – 17**]
- 2) Income from 'House Property' [Sections **22 – 27**]
- 3) Income from 'Profits and Gains of Business or Profession' [Sections **28 – 44**]
- 4) Income from 'Capital Gains' [Sections **45 – 55**]
- 5) Income from other Sources' [Sections **56 – 59**]

**2. Write Short Notes on: a. Direct Tax    b. Indirect Tax****a. Direct Tax**

- If a tax **levied on the income or wealth** of a person and is paid by that person (or his office) directly to the **Government**, it is called direct tax.
- For **Example**: Income-Tax, Wealth Tax, Capital Gains Tax, and Securities Transaction Tax.

- **Fringe Benefits Tax** (from 2005), Banking Cash Transaction Tax (for Rs.50,000 and above -from 2005), etc. In India all direct taxes are levied and administered by Central Board of Direct Taxes.
- **Income tax is direct tax**
- It is because the liability to deposit and ultimate burden are on same person
- The person earning income is liable to pay income tax out of his own pocket.

#### b. Indirect Tax

- If tax is levied on the goods or services of a person (seller).
- It is collected from the buyers and is paid by seller to the Government.
- It is called indirect tax.
- For **Example: GST, Excise duty.**

#### 3. Who are all included in the Term Persons?

1. An individual
2. A Hindu Undivided Family
3. A Company
4. A Firm
5. An Association of Persons
6. A Local Authority
7. Every Artificial Juridical Person

#### Long Answer Questions

##### 1. Elucidate Any Five Features of Income Tax

###### 1) Levied as Per the Constitution

- Income tax is **levied** in **India** by virtue of entry No. 82 of List I (Union List) of Seventh Schedule to Article 246 of the Constitution of India.

###### 2) Levied by Central Government

- Income tax is charged by the **Central Government** on all incomes other than agricultural income. However, the power to charge income tax on agricultural income has been vested with the State Government as per entry 46 of List II, i.e., State List.

###### 3) Direct Tax

- Income tax is a direct tax. It is because the liability to deposit and ultimate burden are on the same person. The person earning income is liable to pay income tax out of his own pocket and cannot pass on the burden of tax to another person.

###### 4) Annual Tax

- Income tax is an annual tax because it is the income of a particular year which is chargeable to tax.

###### 5) Tax on Person

- It is a tax on income earned by a person. The term 'person' has been defined under the Income-tax Act. It includes individual, Hindu Undivided Family, Firm, Company, local authority, Association of Person or Body of Individual or any other artificial juridical persons. The persons who are covered under Income-tax Act are called 'assessee's'.

###### 6) Applicability

- Income Tax is applicable throughout India including the State of Jammu and Kashmir.

**2. What are the Items Included In an Income?**

- 1) Profits and gains of business or profession
- 2) Dividend
- 3) Capital gain chargeable u/s 45
- 4) Deemed income u/s 41 or 59
- 5) Gift as defined u/s 56 (2) (vi)
- 6) Export incentives, like duty drawback, cash compensatory support, sale of licenses
- 7) Interest, salary, bonus, commission or remuneration earned by a partner of a firm from such firm
- 8) Amount received under key man insurance policy including bonus thereon.

தீவிர நம்பிக்கையை வளர்த்துக்கொள்... என்னால் செய்ய முடியும் என்ற  
தீவிர நம்பிக்கை தான் வெற்றிக்கு அடிப்படை.....!!

### 33 INDIRECT TAXATION

#### Choose The Correct Answers

**1. Who is the chairman of the GST council?**

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

**2. GST Stands for .....**

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

**3. What kind of Tax the GST is?**

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

**4. What is IGST?**

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

**5. in India, GST became effective from?**

- a) 1<sup>st</sup> April 2017 b) 1<sup>st</sup> January 2017 **c) 1<sup>st</sup> July 2017** d) 1<sup>st</sup> March 2017

#### Very Short Answer Questions

**1. What do you Meant by Indirect tax?**

- ❖ Indirect Tax is levied on goods and services of a person.
- ❖ It is collected from the buyers by the sellers and paid by the sellers to the Government.
- ❖ Since it is indirectly imposed on the buyers it is called an indirect tax.
- ❖ For Example: GST, Excise Duty.

**2. Give Any Two Example of Indirect Taxes Levied In India**

- ❖ GST
- ❖ Excise Duty
- ❖ Central Excise Duty
- ❖ Customs Duty

**3. What do you Mean by Goods and Services Tax?**

- ❖ Goods and Services Tax (**GST**) is the tax imposed on the supply (consumption) of goods and services.
- ❖ It is a destination-based consumption tax and collected on those value-added items at each stage of the supply chain.
- ❖ GST is applicable to all goods and services except alcohol and specified petroleum products.
- ❖ **GST Act** was passed on **April 12, 2017**
- ❖ GST Came into **effect** from **1<sup>st</sup> July 2017**

**4. What is CGST?**

- ❖ CGST – Central Goods and Services Tax – is imposed and collected by the Central Government on all supply of goods within a state (intrastate) under **CGST Act 2017**.
- ❖ CGST replaces the existing tax like service tax, Excise duty. It is levied by the Central Government.

**Short Answer Questions****1. What are the Objectives of GST? (Any 3)**

- 1) To create a common market with uniform tax rate in India. (**One Nation, One Tax, One Market**)
- 2) To eliminate the cascading effect of taxes, GST allows set-off of prior taxes for the same transactions as input tax credit.
- 3) To provide online facilities for payment of taxes and submission of forms.

**2. Write Any Three Demerits of GST?**

- 1) Hence, there is no major reduction in the number of tax layers.
- 2) A number of retail products currently have only **4%** tax on them. After GST, Garments and clothes could become more expensive
- 3) Service taxes on airfares currently range from **6%** to **9%**, surpass **15%** effectively double the tax rate.

**Long Answer Questions****1. Discuss the Different Kinds of GST**

- GST is of three kinds:
    - CGST, SGST/UGST, and IGST.
1. **CGST** – Central Goods and Services Tax – imposed and collected by the Central Government on all supply of goods within a state (intra-state) under CGST Act 2017.
  2. **SGST** – State Goods and Services Tax – imposed and collected by the State Governments under State GST Act. (Tamil Nadu GST Act 2017 passed by Tamil Nadu Govt.)
  3. **UGST** – Union Territory Goods and Services Tax – imposed and collected by the five Union Territory Administrations in India under UGST Act 2017.
  4. **IGST** – Inter-State Goods and Services Tax – imposed and collected by the Central Government and the revenue shared with States under IGST Act 2017.
  5. **IGST** on exports – All exports are treated as Inter-State supply under GST. Since exports are zero-rated, GST is not imposed on all goods and services exported from India. Any input credit paid already on exports will be refunded.

**2. Distinguish Between Direct Taxes and Indirect Taxes (Any 5)**

S.No	Basis	Direct Tax	Indirect Tax
1	Burden	Tax burden is progressive on people	Tax burden is regressive
2	Evasion	Tax evasion is <b>possible</b>	Tax evasion is more <b>difficult</b>
3	Inflation	Direct tax helps in reducing the inflation	Indirect tax contributes to inflation
4	Shift ability	<b>Cannot</b> be shifted to others	<b>Can</b> be shifted to others
5	Examples	Income tax, wealth tax	GST, Excise duty
6	Incidence and Impact	Falls on the <b>same person</b>	Fall on <b>different persons</b> .

இன்றிளைப் பாறுவம் என்றிருந்தால் - வழி  
என்னென்ன வாகுமோ ஓரிரவில்  
சென்றிளைப் பாறுக முற்றிடத்தே - தம்பி  
தேன்வந்து பாயும் உன் நெஞ்சிடத்தே!  
சாதனைப் பூக்களை ஏந்துமுன்னே - இங்கு  
நல்லசெடி இளைப் பாறிடுமோ?  
வேதனை யாவும் மறந்ததுபார் - செடி  
வெற்றி கொண்டேந்திய பூவினிலே.

**பொருள் :** வாழ்க்கையாகிய வழித்தடம் குப்பைகூளங்களால் அடைபடுமுன் நீ நேர்வழியில் துளியும் சோர்வில்லாமல் விரைந்து செல்லுதல் வேண்டும்.

கல்லும் முள்ளும் உள்ள மலைப்பகுதியைக் கடப்பதற்கு இரண்டு கால்களை உடையவன் நீ. நடக்கும் பாதையில் வளரும் புதர்களை அழிப்பதற்கும் உனக்கு இரு கைகள் உள்ளன.

செல்லும் வழியில் முன்னேறிச் செல்வதற்குக் கண்களும் காதுகளும் துணையாக உள்ளன; இவற்றுடன் மனஉறுதியும் இருந்தால் விண்ணையும் கடந்து வெற்றி கொள்ளும் வழியைக் காணலாம். இன்று ஓய்வெடுத்து நாளை செல்லலாம் என்று எண்ணினால் ஓர் இரவுக்குள் வழித்தடத்தில் என்னென்ன நேருமோ; பணியை முடித்து ஓய்வு பெறுக தம்பி! இனிக்கும் செய்திகள் உன் மனத்தில் வந்து குவியும்.

செடிகள் பூப்பதற்குமுன் ஓய்வெடுப்பதில்லை. செடியின் வெற்றி பூவில் உள்ளதைப்போல், உன் வெற்றிகளால் துன்பங்கள் யாவும் ஓடிவிடும்.



[www.Padasalai.Net](http://www.Padasalai.Net)