XI

COMMERCE

Study Material

Blue Stars Higher Secondary School

Question paper pattern

Section	Content	No. of Question	Marks	Total marks
A	Choose the correct answers	20	1MARK	20 Marks
B	Very short Answers	7/10	2 MARKS	14 Marks
C	Short answers	7/10	3 MARKS	21 Marks
D	Long answers	7/14	5 MARKS	35 marks
TOTAL				90 Marks

Unit I	CHAPTER 01 HISTORICAL BACKGROUND OFCOMMERCE IN THE SUB-CONTINENT

I. Very Short Answer Questions

1. **What is meant by Barter system?**

Barter system which means exchange of goods for goods. It was so comfortable for neighbouring villages, states, even countries to practice barter in the absence of a medium of exchange in the form of money today.

2. **What is meant by Nallangadi?**
   - Day market was called as Nalangadi

3. **What is meant by Allangadi?**
   - The night market was called as Allangadi.

II. 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 trade came into existence. The word 'Vanigam' has been widely used in sangam literature like Purananuru and Thirukkural.
   - The Tamil – Brahmi inscriptions from Alagarmalai, Pugalur, Mangulam and Sri Lanka illustrate the fact that trade in gold, oil, plough, cloth etc.was conducted during the early age.

2. **State the meaning of Maruvurapakkam and Pattinapakkam.**
   - Big cities like Poompuhar had the 'Maruvurappakam' (inland town) and 'Pattinapakkam' (coastal Town), had market and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff.
   - Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with activities related to imports and exports.

In such a brisk trade, people of the coastal region, engaged themselves in coastal trade and developed their intercontinental trade contacts.

3. **What are the ports developed by Pandiya kingdom?**
   - Pandiyas developed Korkai, Saliyur, Kayal, Marungaur pattinam and Kumari for foreign trade. The State Govertments installed check posts to collect customs along the highways and the ports

IV. LONG Answer Questions

1. What are the hindrances of business?

1. Hindrance of person

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

2. Hindrance of place

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

3. Hindrance of time

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

4. Hindrance of risk of deterioration in quality

Proper packaging and modern air conditioned storage houses ensure that there is no deterioration in quality of products. Goods are protected against insects, rats, evaporation etc.

5. Hindrance of risk of loss

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

6. Hindrance of knowledge

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

7. Hindrance of exchange

Money functions as a medium of exchange and enable the buying and selling of any product or service by payment of the right price.

2. State the constraints in barter system.

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

Barter system could not determine the value of commodities to be exchanged as they lacked commonly acceptable measures to evaluate each and every commodity. 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

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

3.Briefly explain the coastal trade in ancient Tamilnadu.

Big cities like Poompuhar had the ‘Maruvurappakam’ (inland town) and ‘Pattinapakkam’ (coastal Town), had market and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff.

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

In such a brisk trade, people of the coastal region, engaged themselves in coastal trade and developed their intercontinental trade contacts.

They 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

Unit I	CHAPTER 02 OBJECTIVES OF BUSINESS

I. 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. e.g., Fruit seller selling fruits.

2. What do you mean by Business?

Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services.

3. What do you mean by Employment?

It refers to the occupation in which people work for others and get remuneration in the form of wages or salaries. The one who is employed by others are called employees and the one who employs others is called employer

IV. Short Answer Questions

1. What do you mean by human activities? Explain.

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

Economic Activities:

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

Examples: Production of goods by manufacturers

Distribution of goods by wholesalers.

Non-Economic:

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

Examples: Cooking food for family

Celebrating festivals

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

Business

Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services.

Professions

Professions are those occupations which involve rendering of personal services of a special and expert nature. A profession is something which is more than a job. It is a career for someone who is competent in their respective areas.

3. What are the classification of business

i. Activities on the Basis of Size

On the basis of size, business activities may be broadly grouped into two categories.

a. Small Scale

Small scale units require less capital. They employ small number of workers and produce the goods on small scale.

Example: Manufacturing textiles in handlooms or power looms.

b. Large Scale

Large scale units require huge capital. They employ large number of workers and produce the goods on large scale.

ii. Activities on the Basis of Ownership

On the basis of ownership business activities may be broadly grouped into three categories.

a. Private Enterprises

An enterprise is said to be a private enterprise where it is owned, managed and controlled by persons other than Government.

Sole proprietorship. Example – Sundar Stationeries

b. Public Enterprises

An enterprise is said to be a public enterprise where it is owned, managed and controlled by Government or any of its agencies or both. Public enterprises may be organized in several forms such as,

iii. Activities on the Basis of Function

On the basis of functions, business activities may be broadly grouped into two categories.

a. Industry

Industry includes all those business activities which are connected with raising, producing or processing of consumer goods.

Example - bread, butter, cheese, shoes, or capital goods like machinery.

b. Commerce

It establishes a link between the producers and consumers of goods and maintains a smooth and uninterrupted flow of goods from producers to consumers.

IV. Long Answer Questions

1. *Explain the characteristics of Business Production or Procurement of Goods*

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

Sale, Transfer or Exchange

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

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 supply of electricity, gas or water, transportation, banking, insurance etc.

Regularity of Dealings

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

Profit Motive

An important feature of business is profit motive. Business is an economic activity by which human beings make their living. It is,in fact, the attraction of profit which spurs people to do business.

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

Concept	Profession	Employment
Mode of Establishment	Membership of a professional body or certificate of practice	Service contract or letter of appointment
Nature of Work	Personalized service of expert nature	Performing work assigned by the employer
Qualifications	Education and training in specialized field	Minimum qualification is essential
Basic Motive	Rendering service	Earning wages or salary by serving the employer
Capital	Limited capital necessary for establishment	No capital required
Reward	Professional fee	Salary or wages
Risk	Fee is regular and certain, never negative	Fixed and regular pay, no risk
Transfer of Interest	Not possible	Not transferable

Code of Ethics:	Professional code of ethics	Rules and regulations of the employing organization

3. Discuss the objectives of business

A. Economic Objectives

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which includes creation of customers, regular innovations and best possible use of available resources.

B. Social Objectives

Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society. Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare. No activity of the business should be aimed at giving any kind of trouble to the society.

C. Organizational Objectives

The organizational objectives denote those objectives 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, etc.

D. Human Objectives

Human objectives refer to the objectives 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. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

E. National Objectives

Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations. The goal of the country may be to provide employment opportunity to its citizen, earn revenue for its exchequer, become self-sufficient in production of goods and services, promote social justice, etc

UNIT I	CHAPTER 03 CLASSIFICATION OF BUSINESS ACTIVITIES

II. Very Short Answer Questions

1. ***Define commerce***.

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

2. What do mean by industry?

The term industry is also used to mean group of firms producing similar or related goods.

For example,

cotton textile industry refers to all manufacturing units producing textile goods from cotton

3. What is trade?

Trade is an essential part of commerce. The term 'trade' is used to denote buying and selling. It helps in making the goods produced available to ultimate consumers or users. Therefore, one who buys and sells is a trader.

II. Short Answer Questions

1. ***What do you mean by tertiary industries***?

- They do not produce goods.
- These industries produce utility services and sell them at a profit.
- They help trade, industry and commerce.

This term also includes auxiliaries to trade like banking, insurance, warehouse, advertisement etc

2. Write a short note of transportation

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

IV. Long Answer Questions:

1. Compare Industry, Commerce, Trade. (any 5)

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

2. Write short notes on:

a. Analytical industry
b. Genetic Industry and
c. Construction Industry

Analytical Industry

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

Genetic Industries

These industries remain engaged in breeding plants and animals for their use in further reproduction. The seeds, nursery companies, poultry, diary, piggery, hatcheries, nursery, fisheries, apiary etc are classic examples of genetic industries.

Construction Industries

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

UNIT II	CHAPTER 04 SOLE PROPRIETORSHIP

II. Very Short Answer Questions

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

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

2. ***What are the Non-corporate enterprises?***
   - Sole Trading Concern
   - Partnership Firms
   - Joint Hindu Family Business
3. ***What are the Corporate enterprises***?

Government

- Public Undertakings
- Public Utilities

Private

- Joint stock Companies

Cooperative

III. Short Answer Questions

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

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

2. ***What is unlimited liability?***

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 Sole trading business.***
   - Restaurants,
   - Hairdressers,
   - Plumbers and
   - Electricians

IV. long Answer Questions

1. Explain the characteristics of Sole trading business.

i. Ownership by one man

This is owned by single person. The sole trader contributes the required capital. He is not only the owner of the business but also manager of the entire affairs.

ii. Freedom of work and Quick Decisions

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

iii. Unlimited Liability

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

iv.Enjoying the entire profit.

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

v. Absence of Government Regulation

A sole proprietor concern is free from Government regulations. No legal formalities are to be observed in its formation, management or in its closure.

vi. No Separate Entity

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

vii. Maintenance of Secrecy

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

2. What are the advantages of Sole trading business?

i. 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.

ii. Incentive to Work hard

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

iii. Small Capital

Small capital is an important as well as specific advantage of sole proprietorship. Sole proprietor can start business with small capital.

iv. Credit Standing

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

v. Personal Contact with the Customers

Since sole proprietor knows each and every customer individually he can supply goods according to their taste and preferences. Thus he can cultivate personal relationship with the customers.

vi. Flexibility

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

4. What are the disadvantages of Sole trading business?

i. Limited Capital

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

ii. Limited Managerial

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

iii. Unlimited Liability

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

iv. Lack of Specialisation

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

v. Hasty Decisions

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

UNIT II	CHAPTER 05 HINDU UNDIVIDED FAMILY AND PARTNERSHIP

I. 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'. The Karta is the senior most male member of the family.

2. ***What are the two schools of Hindu law?***

There are two schools of Hindu Law-one is

- Dayabhaga
- Mitakshara

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

The persons who enter into partnership are individually called 'Partners' and collectively known as 'Firm'.

4. ***Who is a Sleeping partner?***

Such a partner contributes capital and shares in the profits or losses of the firm but does not take part in the management of the business. He may not be known as a partner to the outsiders; yet he is liable to third parties to an unlimited extent as any other partner.

5. ***How many types of Dissolution?***

- Dissolution of firm

  Without order of count By order of count

- Dissolution of partnership.

II. Short Answer Questions

1. ***Write any 3 features of HUF.***

Governed by Hindu Law

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

Liability

Except the Karta, the liability of all other members is limited to their shares in the business. The amount of debt can be recovered from his personal property also.

Minor also a co-parcener

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

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

Since partnership is the outcome of an agreement, the minimum number of persons required to form a partnership is two.

Maximum is restricted to 10 in the case of banking business and to 20 in all other cases

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

Partnership agreement need not necessarily be in writing, it is important to have a written agreement in order to avoid misunderstandings; it is desirable to have a written agreement

A carefully drafted partnership deed helps in ironing out differences which may develop among partners and in ensuring smooth running of the partnership business

III. Very Short Answer Questions

1. *What are the contents of Partnership Deed?*

i. Name of the Firm

ii. Nature of the proposed business

iii. Duration of partnership

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.

iv. Capital contribution

The capital is to be contributed by the partners. It must be remembered that capital contribution is not necessary to become a partner for one who contributes his organising power, business acumen, managerial skill etc., instead of capital.

v. Withdrawal from the firm

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

vi. Profit/loss sharing

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

vii. Interest on capital

Whether any interest is to be allowed on capital and if so, the rate of interest. If the deed is silent on interest on capital, the rules for interest on capital in partnership act will take effect.

viii. Rate of interest on drawing

Whether any interest is to be allowed on drawing, the rate of interest is to be specifird

ix. Loan from partners

Whether loans can be accepted from the partners and if so the rate of interest payable thereon.

x. Account keeping

Maintenance of accounts and audit.

2. *Explain the types of dissolution of partnership firm.*

Dissolution of firm

Dissolution of firm means dissolution of partnership. On dissolution of firm, partnership business comes to an end. Its assets are realised and the creditors are paid off.

- Without order of count
- By order of count

By agreement or mutual consent

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

By insolvency of all the partners but one

If any of the partners adjudged an insolvent (or if all the partners become insolvent) it is necessary to dissolve the firm.

When the objective becomes illegal

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

By notice of dissolution

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 firm will be dissolved.

On certain contingencies

Dissolution of partnership itself may involve the dissolution of the firm unless parties agree to continue it otherwise, it will take place.

Dissolution through court

The court may order dissolution of a firm at a suit of a partner in any of the following circumstances.

a. When a partner becomes insane

b. Permanent incapacity of any partner

c. Misconduct of any partner

d. Breach of agreement which makes the business impracticable

e. Transfer of interest to third person

f. Continued loss

When the court finds that it is just and equitable to dissolve the firm

Dissolution of partnership

Dissolution of partnership means the termination of the original partnership agreement

3. Write the procedure for Registration of a Firm

A statement should be prepared stating the following particulars.

i. Name of the firm.

ii. The principal place of business.

iii. Name of other places where the firm carried on business.

iv. Names and addresses of all the partners.

v. The date on which each partner joined the firm.

vi. The duration of the firm

This statement signed by all the partners should be produced to the Registrar of Firms along with the necessary registration fee. Any change in the above particulars must be communicated to the Registrar within 14 days of such alteration.

UNIT II	Chapter 06 Joint Stock Company

II. Very Short Answer Questions

1. ***What are the different types of companies?***
   - Incorporation
   - Membership
   - Member Liability
   - Control
   - Nationality
2. ***Define a Company***.

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

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

The liability of the members of the company is limited to contribution to the assets of the company upto the face value of shares held by him. A member is liable to pay only the uncalled money due on shares held by him. If the assets of the company are not sufficient to pay liabilities, the personal properties of the shareholders are not held responsible.

4. ***Explain any two characteristics of a company.***

Limited Liability

The liability of the members of the company is limited to contribution to the assets of the company upto the face value of shares held by him.

Separate Property

A company is a distinct legal entity. A member cannot claim to be owner of the company’s property during the existence of the company.

5. ***What is meant by Chartered Company?***

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

III. Short Answer Questions

1. ***What are the advantages of Companies? (Any 3)***

i. Large Capital

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

ii. Limited Liability

The liability of a shareholder is limited. In the case of a company limited by guarantee, his liability is restricted to the amount that he has guaranteed to contribute in the event of winding up of the company.

iii. Transferability of Shares

Transaction of Shares between two individuals is easy. So there is liquidity of investment.

iv. Perpetual Succession

A company has perpetual or continuous existence. Members may go or new members may come in, but the company continues to exist.

v. Promotion of Saving and Investment Habit

Joint stock company system encourages people to save. Even small amount can be used for the purchase of shares. A person can buy even one share of a company

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.

1. The Central Government; or
2.Any State Government or Governments; or
3. Partly by the Central Government and partly by one or more State Governments

3. ***What is meant by Foreign Company?***

A 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 following documents must be filed with the Registrar of Companies within 30 days from the date of establishment.

(i) A certified copy of the charter or statutes under which the company is incorporated, or the Memorandum and articles of the company translated into English.

(ii)The full address of the registered office of the company.

IV. long Answer Questions

1. ***What are the contents of Memorandum of Association?***

- ***Name Clause***

The name clause requires to state the legal and recognized name of the company. The company name is allow to be registered if it does not bear any similarities with the name of an existing company. companies only.

- ***Situation Clause***

The registered office clause requires to show the physical location of the registered office of the company.

- ***Objective Clause***

The objective clause requires to summarize the main objectives for establishing the company with reference to the requirements for shareholding and use of financial resources.

- ***Liability Clause***

The liability clause requires to state the extent to which shareholders of the company are liable to the debt obligations of the company in the event of the company dissolving.

- ***Capital Clause***

The capital clause requires to state the company's authorized share capital, the different categories of shares and the nominal value (the minimum value per share) of the shares. It is also required to list the company's assets under this clause

- ***Association Clause***

The association clause confirms that shareholders bound by the MOA are willingly associating and forming a company

2. What are the contents of Articles of Association?

- Amount of shares, capital, value and type of shares
- Rights of each class of shareholders regarding voting, dividend, return of capital
- Rules regarding issue of shares and debentures
- Procedures as well as regulations in respect of making calls on shares.
- Manner of transfer of shares
- Declaration of dividends
- Borrowing powers of the company
- Rules regarding the appointment, remuneration, removal of directors
- Procedure for conducting proxy, quorum, meetings etc.,
- Procedures concerning keeping of books and audits
- Seal of the company
- Procedures regarding the winding up of the company

3. What is meant by Multi National Company?

A Multi National Company (MNC) is a huge industrial organisation which,
(i) Operates in more than one country
(ii)Carries out production, marketing and research activities on international Scale in those countries.
(iii)Seeks to maximise profits world over. A domestic company or a foreign company can be a MNC.

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

UNIT II	CHAPTER 7 COOPERATIVE ORGANISATION

II. Very Short Answer Questions

1. ***What do you mean by cooperative organization?***

A cooperative is a private business organisation that is owned and controlled by the people who use its products, supplies or services

2. ***Define cooperatives.***

Cooperation is a form of organization in which persons voluntarily associate together as human beings on the basis of equality for the promotion of the economic interests of themselves.

- H.Calvert

Cooperation is "better farming, better business and better living"

- Sir Horace Plunkett

3. ***What is Credit cooperatives?***

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

Agriculturists, artisans, industrial workers, salaried employees, etc., form these credit societies

4. ***Who are Rochadale Pioneers?***

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

III. Short Answer Questions

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

- ***Limited funds***
  Co-operative societies have limited membership and are promoted by the weaker sections.
- ***Imposed by Government***
  In the Western countries, co-operative societies were voluntarily started by the weaker sections.
- ***Lack of managerial skills***
  Co-operative societies are managed by the managing committee elected by its members.

2. Write a note on Housing cooperatives.

These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.

People who intend to build houses of their own join together and form housing societies. These societies advance loans to members, repayable over a period of 15 to 20 years.

3. What is meant by Producers cooperative society?

- Producer cooperatives are established and operated by producers.
- Producers can decide to work together or as separate entities to help increase marketing possibilities and production efficiency.
- They are organized to process, market, and distribute their own products.
- This helps lessen costs and strains in each area with a mutual benefit to each producer.

IV. Long Answer Questions

1. What are the principles of cooperatives? (Any 5)

i. Voluntary and Open Membership

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

ii. Democratic Member Control

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

iii. Member's Economic Participation

Members contribute equally to, and democratically control, the capital of the cooperative. This benefits members in proportion to the business they conductwith the cooperative rather than on the capital invested.

iv. Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If the co-operative organisation enters into agreements with other organizations or raises capital from external sources, it is done so based on terms that ensure democratic control by the members and maintains the cooperative's autonomy.

v. Education, Training, and Information

Cooperatives provide education and training for members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperative. Members also inform the general public about the nature and benefits of cooperatives.

vi. Cooperation among Cooperatives

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

vii. Concern for Community

While focusing on member needs, cooperatives work for the sustainable development of communities through policies and programs accepted by the members

2. What are the advantages of cooperative society?

i. Voluntary organization

The membership of a cooperative society is open to all. Any person with common interest can become a member. The membership fee is kept low so that everyone would be able to join and benefit from cooperative societies.

ii. 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 by observing simple legal formalities.

iii. Democracy

A co-operative society is run on the principle of 'one man one vote'. It implies that all members have equal rights in managing the affairs of the enterprise. Members with money power cannot dominate the management by buying majority shares.

iv. Equal distribution of surplus

The surplus generated by the cooperative societies is distributed in an equitable manner among members. Therefore all the members of the cooperative society are benefited. Further the society is also benefited because a sum not exceeding 10 per cent of the surplus can be utilized for promoting the welfare of the locality in which the cooperative is located.

v. 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.

vi. Separate legal entity

A cooperative society enjoys separate legal entity which is distinct from its members. Therefore its continuance is in no way affected by the death, insanity or insolvency of its members. It enjoys perpetual existence.

vii. 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.

viii. Greater identity of interests

It operates in a limited geographical area and there is greater identity of interest among members. Members would be interacting with each other. They can cooperate and manage the activities of the society in a more effective manner.

3. What are the types of Cooperative society?

A. Consumers Cooperatives

Consumer cooperatives are organized by consumers that want to achieve better prices or quality in the goods or services they purchase. In contrast to traditional retail stores or service providers, a consumer cooperative exists to deliver goods or services rather than to maximize profit from selling those goods or services.

B. Producers Cooperatives

Producer cooperatives are established and operated by producers. Producers can decide to work together or as separate entities to help increase marketing possibilities and production efficiency. They are organized to process, market, and distribute their own products. This helps lessen costs and strains in each area with a mutual benefit to each producer.

C. Marketing Cooperatives

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

D. Credit Cooperatives

Cooperative credit societies are those formed for the purpose of providing shortterm financial help to their members. Agriculturists, artisans, industrial workers, salaried employees, etc., form these credit societies.

E. Housing Cooperatives

These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent. People who intend to build houses of their own join together and form housing societies.

F. Cooperative Farming Societies

When various farmers in a village pool their land together and agree to treat the pooled piece of land as one big farm for the purpose of cultivation, purchase the necessary inputs for the cultivation, and market the crops jointly, they are assumed to have formed a cooperative farming society

UNIT II	***Chapter 08*** ***Multi National Corporations (MNCs)***

II. Very Short Answer Questions

1. ***Define Multinational Company.***
   A multinational corporation owns and manages business in two or more countries."
   - Neil H.Jacoby

2. ***Write any two advantages of MNC.***

- ***Low Cost Labour*** MNC set up their facilities in low cost countries and produce goods/service at lower cost.
- ***Technical Development*** MNCs carry the advantages of technical development 10 host countries.

3. ***Give two examples of MNC.***

- Bata Corporation
- Colgate Palmolive
- Sony Corporation

III. Short Answer Questions

1. **Name the types of business enterprise which operators in more than one country ?**

- Bata
- Timex
- Bajaj
- TVS
- TATA
- INFOSYS

2. **Write any three Indian MNC's.**

- Bajaj
- TVS
- TATA
- INFOSYS

IV. Long Answer Questions

1. ***What are the advantages of MNC's?***

i. ***Low Cost Labour***

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

ii. ***Quality Products***

The resource, experience and expertise of MNCs in the sphere of research and development enables the host country to establish its research and development system which helps it in producing quality goods and services at least possible cost.

iii. ***Proper Use of Idle Resources***

Because of their advanced technical knowledge,MNCs are in a position to properly utilise idle physical and human resources of the host country.

iv. ***Improvement in Balance of Payment Position***

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

v. ***Technical Development***

MNCs carry the advantages of technical development 10 host countries. In fact, MNCs are a vehicle for transference of technical development from one country to another.

1. ***What are the disadvantages of MNC's?***

i. ***Danger for Domestic Industries***

MNCs, because of their vast economic power, pose a danger to domestic industries; which are still in the process of development.

ii. ***Transfer of Outdated Technology***

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

iii. ***No Benefit to Poor People***

MNCs produce only those things, which are used by the rich. Therefore, poor people of host countries do not get, generally, any benefit, out of MNCs.

iv. ***Danger to Independence Initially***

MNCs help the Government of the host country, in a number of ways; and then gradually start interfering in the political affairs of the host country.

v. ***Deprivation of Job Opportunity of Local People***

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

2. What are the disadvantages of MNC's?

i. Danger for Domestic Industries

MNCs, because of their vast economic power, pose a danger to domestic industries; which are still in the process of development. Domestic industries cannot face challenges posed by MNCs. Many domestic industries have to wind up, as a result of threat from MNCs. Thus MNCs give a setback to the economic growth of host countries.

ii. Transfer of Outdated Technology

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

iii. No Benefit to Poor People

MNCs produce only those things, which are used by the rich. Therefore, poor people of host countries do not get, generally, any benefit, out of MNCs.

iv. Danger to Independence Initially

MNCs help the Government of the host country, in a number of ways; and then gradually start interfering in the political affairs of the host country. There is, then, an implicit danger to the independence of the host country, in the long-run.

v. Deprivation of Job Opportunity of Local People

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

vi. Misuse of Mighty Status

MNCs are powerful economic entities. They can afford to bear losses for a long while, in the hope of earning huge profits once they have ended local competition and achieved monopoly. This may be the dirty marketing strategy of MNCs to wipe off local competitors from the host country.

UNIT II	Chapter 09 Government Organisation

II. Very Short Answer Questions

1. Give the examples for public corporations?
   - Food Corporation of India (FCI)
   - ONGC
   - Tourism Corporation of India

2. Give two examples for Departmental undertaking
   - Indian Railway
   - Department of food and public Distribution
   - Tamilnadu Police Department

3. What is Red-Tapism?

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

III. Short Answer Questions

1. What is meant by Departmental undertaking.
- Department form of organisation of managing state enterprises is the oldest form of organisation.
- In those days, no distinction was made between the routine functions of the Government and that of the public enterprises.
- Therefore, most of the early state owned enterprises were the best examples of the departmental form of organisation

2. What is meant by Government company?

A "Government company" is defined under Section 2(45) of the Companies Act, 2013 as "any company in which not less than 51% of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company"

3. What is meant by Public Corporations?

A public corporation is that form of public enterprise which is created as an autonomous unit, by a special Act of the Parliament or the State Legislature. Since a public corporation is created by a Statute; it is also known as a statutory corporation.

The Statute defines the objectives, powers and functions of the public corporation. Life Insurance Corporation of India, the Indian Airlines, the Air India International, Oil and Natural Gas Commission etc. are some examples of public corporations in India.

VI. Long Answer Questions

1. What are the advantages of Departmental undertaking?

i. Easy Formation

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

ii. Direct and Control of Parliament or State Legislature

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

iii. Secrecy Maintained

Strategic industries like defence and atomic power cannot be better managed other than government departments.

iv. Lesser Burden of Tax on Public

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

v. Instrument of Social Change

Government can promote economic and social justice through departmental undertakings.

2. What are the features of Public corporation? (Any 5)

i. Special Statute

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

ii. Separate Legal Entity

A public corporation is a separate legal entity with perpetual succession and common seal.

iii. Capital Provided by the Government

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

iv. Financial Autonomy

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

v. Management by Board of Directors

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

vi. Own Staff

A publication corporation has its own staff; whose appointment, remuneration and service conditions are decided by the corporation itself.

3. What are the Features of Government company? (Any 5)

i. Registration Under the Companies Act

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

ii. Executive Decision of Government

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

iii. Separate Legal Entity

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

iv. Whole or Majority Capital Provided by Government

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

v. Majority of Government Directors

Being in possession of a majority of share capital, the Government has authority to appoint majority of directors, on the Board of Directors of a government company.

vi. 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.

vii. Free from Procedural Controls

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

UNIT III	Chapter 10 Reserve Bank of India

II. Very Short Answers

1. **What are the services included in Service businesses?**

Educational, medical, hospitality and the like service business existed for centuries. Its prominence in the global trade is of recent origin i.e., after 1970.

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

Banking service is the nerve center of industry and commerce in a country. It plays a vital role by providing the money required for their regular functioning and development. The word Bank, normally refers to commercial bank. There are many types of banks rendering different types of services. Central Bank is the most important one among them.

3. **Briefly explain about Central Bank.**

"It may be defined as an institution charged with the responsibility of managing the expansion and contraction of the volume of money in the interest of the general public welfare." - Kent.

III. Short Answers

1. **What are the functions of RBI?**

The functions of the RBI can be grouped under three heads.

A. Leadership and Supervisory Functions

India's Representative in World Financial Institutions

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

B. Traditional Functions

Banker and Financial Advisor to the Government

The RBI accepts money into the Central and State Governments' accounts and make payments on their behalf. It manages Government debt and is responsible for issue of new loans. It advises the government on the quantum, timing and terms of new loans.

C. Promotional Functions.

Grievance Settlement Measures

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

2. Explain the origin of RBI.

The Imperial Bank of India carried out the note issue and other functions of the central bank. In 1926 the Hilton-Young Commission or the Royal Commission on Indian Currency and Finance (J. M. Keynes and Sir Ernest Cable were its members) made recommendation to create a central bank.

As a result, the RBI Act 1934 was passed and RBI launched in operations from April 1, 1935. RBI was established with a share capital of ₹5 crores divided into shares of ₹100 each fully paid up. The entire share capital was owned by private shareholders. Its head office was in Calcutta and moved to Mumbai in 1937.

3. Who are the persons involved in RBI administration?

The RBI is governed by a Central Board of Directors. The 21 member board is appointed by the Government of India. It consists of;

a. One governor and four deputy governors appointed for a period of four years,
b. Ten directors from various fields
c. Two Government officials d. four directors - one each from local boards.

IV. LONG ANSWERS

1. **Classify the various functions of Reserve Bank of India**.

A. Leadership and Supervisory Functions

India being the fastest growing economy in the world, India is expected to play a major role in the world affairs by many countries. RBI being the banking institutional head of India has to be a part of global institutions.

i. **India's Representative in World Financial Institutions:** In order to maintain consistency and harmony with international banking standards the RBI is associated with Basel Committee on Banking Supervision (BCBS, Switzerland) since 1997.

ii. **Regulator and Supervisor of Indian Banking System :** The broad guidelines for all banking operations in the country are formulated by the RBI.

iii. **Monetary Authority :** The RBI formulates, implements and monitors the monetary policy of the country in order to maintain price stability, controlling inflationary trends and economic growth.

B. Traditional Functions

i. **Banker and Financial Advisor to the Government** : The RBI accepts money into the Central and State Governments' accounts and make payments on their behalf.

ii. Monopoly of Note Issue : The RBI is the sole authority for the printing and issue of all currency notes in India except one rupee note.

iii.Banker's Bank : The relationship between RBI and other banks in the country is just like the relationship of a commercial bank with its customers.

UNIT III	CHAPTER 11 TYPES OF BANKS

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 profit. Their lending is in comparatively small amounts and mostly for short and medium period.

2. What do you mean by Industrial Banks?

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

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. Mostly they serve the interests of the multinational companies, employees and other business institutions.

III. Short Answer Questions

1. Write a short note on Local Area Banks, Give two examples.
   - Local Area Bank (LAB) scheme was introduced by the RBI in August 1996.
   - LABs are small private sector banks established in rural and semi-urban areas.
   - Each bank serves two or three adjoining districts only. Their main objective is to mobilise rural savings (accept deposits) and invest them in the same areas.
   - They have to follow the priority sector lending targets, including the targets on loans to weaker sections.
   - RBI received 227 applications for setting up LABs.
   - 10 were considered for approval and six were given license under Section 22 of the Banking Regulation Act, 1949.

Exmaples:

i. Coastal Local Area Bank, Vijayawada, Andhra Pradesh.
ii. Krishna Bhima Smruddhi Local Area Bank, Mahabubnagar, Telangana.
iii. Subhadra Local Area Bank Limited, Kolhapur, Maharashtra.

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

- The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank.
- Their share capital is contributed by these sponsors in the ratio of 50:15:35.
- They are established as low cost institutions in rural areas.
- Their objective is to develop rural economy and play supplementary role to cooperative societies.
- As on 31.3.2016, there were 56 RRBs in India with 14,494 branches. They are regulated and supervised by NABARD.

IV. Long Answer Questions

1. Explain the various types of banks based on the functions?

Commercial Banks

Banks which accept deposits from the public and grant loans to traders, individuals agriculture, industries, transport, etc. in order to earn profit. Their lending is in comparatively small amounts and mostly for short and medium period. They also provide other services like remittance of funds, safe keeping of valuables, collection of cheques, s, issue of letters of credit, etc

Development Banks

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

Cooperative Banks

All cooperative banks in India are owned by its customers or members who are farmers, small traders and others. Cooperative banks in India are either urban based or rural based 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

Foreign Banks

Banks which have registered office in a foreign country and branches in India are called foreign banks. These banks open their offices in big cities and port towns only. Mostly they serve the interests of the multinational companies, employees and other business institutions. Their profitability is higher than Indian banks. In 2017, there were 42 Foreign Banks in India and all of them were scheduled banks. They have to oblige both their home country banking regulations and the RBI regulations.

Regional Rural Banks - RRBs

The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank. Their share capital is contributed by these sponsors in the ratio of 50:15:35. They are established as low cost institutions in rural areas. Their objective is to develop rural economy and play supplementary role to cooperative societies. They mobilise deposits from the rural public and provide finance to rural artisans, small entrepreneurs and farmers and try to avoid their dependency on money lenders. As on 31.3.2016, there were 56 RRBs in India with 14,494 branches. They are regulated and supervised by NABARD.

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

•Scheduled Banks and Non Scheduled Banks All banks which satisfied the norms and included in the Second Schedule to the RBI Act, 1934 are called scheduled banks.

•Such banks are given financial accommodation and remittance facilities at concessional rates by the RBI.

•There is no non-scheduled commercial bank (private sector, public sector and foreign banks) in India.

•There are five Urban Cooperative Banks and three Local Area Banks which function as non-scheduled banks in India.

•Small Finance Banks and Payments Banks have not been licenses under Section 22 of the Banking Regulation Act, 1949.

UNIT III	CHAPTER 12 FUNCTIONS OF COMMERCIAL BANKS

II. Very Short Answer Questions

1. **What is Mobile Banking?**

• Most of the commercial banks have designed computer programs called apps which can be downloaded in smart phones.

• With this app in the smart phone a customer can operate his account transactions from anywhere. This service is known as mobile banking.

2. **Briefly explain the need for Debit card.**

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

•VISA card and Maestro card services are offered by Visa Corporation and Mastercard both from the USA.

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. If the dues are paid within the stipulated time no interest is charged.

4. What do you mean by ATM?

•A customer can withdraw money anytime, anywhere in India from the ATM machine using the ATM card given by his/her bank.

•The machine also shows the balance available in the customers' account, provides statement print of the few past transactions, etc.

III. Short Answer Questions

1. **What is E-Banking?**

• E-banking is a product designed for the purposes of online banking that enables you to have easy and safe access to your bank account.

• E-banking is a safe, fast, easy and efficient electronic service that enables you access to bank account and to carry out online banking services, 24 hours a day, and 7 days a week

2. **Write a short note on - RTGS.**

• It was launched by the RBI in 2013. The transactions are settled on real time basis.

•Gross settlement means the transaction is settled between one bank and another bank without adding any other transactions.

•RTGS facility is available between 9.00 am to 4.30 pm on weekdays and up to 2.00 pm on Saturdays

3. **Explain – NEFT**

• This was launched by the RBI in 2005. Under this electronic funds transfer system, bulk transfer of transactions are settled in batches during specific timings across India.

• Individuals and institutions which maintain accounts with a NEFT enabled bank branch are eligible for using NEFT.

• Transactions do not occur under real time basis. Once in every half hour from 8.00 am to 7.30 pm. 23 settlements are allowed in a day

IV. Long Answer Questions

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

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

I. Accepting Deposits
II. Granting Loans and Advances.
III. Creation of Credit

➢ Accepting Deposits

The basic deposit accounts offered by commercial banks are listed below. In these days banks compete with each other to attract customers by adding facilities to these deposit accounts.

• Demand Deposits

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

1. Savings Deposits
2. Current Deposits

• Time Deposits

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

1. Fixed Deposits (FD)
2. Recurring Deposits (RD)

➢ Granting Loans and Advances

•The second primary function of commercial banks is lending money in order to earn interest income. Banks provide specific sums as loans which are repayable along with interest

• Demand loans should be repaid whenever demanded. Term loans can be repaid after the agreed period. Advances are credit facilities provided for short period (within a year) to business community. But both terms are used interchangeably.

• Advances

1. Overdraft It is a credit facility extended mostly to current account holding business community customers

2. Cash Credit It is a secured credit facility given mostly to business institutions. Stock in hand, raw materials, other tangible assets, etc

3. Discounting of Bills

Business customers approach banks to discount the commercial bills of exchanges and provide money.

➢ Loans

Short term and medium term loans are provided by commercial banks against eligible collaterals to business concerns. It is a definite sum of money lent for a definite period.

• Housing Loan
• Consumer Loan
• Vehicle Loan
• Educational Loan
• Jewel Loan

➢ Creation of Credit

Apart from the currency money issued by the RBI, the credit money in circulation created by commercial banks influence economic activities of a country to a large extent.

2. Explain the various secondary functions of commercial banks.

➢ Secondary Functions

Apart from the basic or primary functions commercial banks render various other services which are known as secondary functions. These services can be broadly classified into agency services and general utility services.

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

✓ Transfer of Funds

Banks issue demand drafts, bankers' cheques, travelers' cheques, etc. and help in transfer of funds from one place to another. Customers need not carry cash.

✓ Periodic Payment of Premiums, Rent, etc.

After instruction from the customers, banks undertake the monthly payment of insurance premium, rent, telephone bill, etc. from the accounts of customers.

✓ 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

✓ Acting as Executors, Trustees and Attorneys

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

➢ General utility functions

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

✓ Issue of demand drafts and bankers' cheques

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

✓ Accepting Bills of Exchange on behalf of Customers

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

✓ Safety lockers

Valuable documents, jewels, etc. can be kept safely in a vault provided by bank for a rent. These vaults room is called 'Strong Room".

✓ Letters of credit

This document is given by bank on behalf of importing customer to the exporter guaranteeing payment for the imported goods.

UNIT III	CHAPTER 13 WAREHOUSING

II Very Short Answer Questions

1. What is Warehouse?

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

2. List the various types of Warehouses.

Warehouses can be classified as follows:

A. On the Basis of Ownership

(a) Private Warehouses (b)Government Warehouses (c) Public Warehouses (d)Cooperative Warehouses (e) Bonded Warehouses (f) Institutional Warehouses (g) Distribution Centre Warehouses

B. On the Basis of Commodities Stored

(a) General Warehouses (b)Special Commodity Warehouses (c) Cold Storages or Refrigerated Warehouses (d)Climate Controlled Warehouses.

3. Give any two functions of Warehouses.

•Storage There is a time gap between the time of production and the time of consumption and a gap between demand and supply

•Price Stabilization Warehousing ensures price stabilization by supplying goods as and when demanded.

4.Give a note on FCI.

It provides storage facilities for food grains. Food Corporation of India also hires storage capacity from other sources such as Central Warehousing Corporation, State Warehousing Corporation and private parties.

III Short Answer Questions

1. Differentiate the warehouse warrant from the warehouse receipt.

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

2. **Comment on cold storage warehouse**.

•Goods are transported in refrigerated containers and stored in refrigerated warehouses. These warehouses are used for storing perishable goods like fruits, vegetables, eggs, butter, fish, meat, etc.

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

IV. Long Answer Questions

1. Explain the different types of warehouses.

➢ On the Basis of Ownership

✓ Private Warehouses

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

✓ Government Warehouses

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

✓ Public Warehouse

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

➢ On the Basis of Commodities Stored

✓ General Warehouses

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

✓ Special Commodity Warehouses

These warehouses are specially constructed for storing specific type of commodities like tobacco, cotton, wool etc.

✓ Climate Controlled Warehouses

The controlled climate environment can reduce the rate of metabolism in fruits and vegetables.

✓ Automated Warehouses

Automated facilities which can handle several hundreds of kilograms of product at a time

2. Explain the advantages of warehousing functions

. • It safeguards the stock of the merchants who do not have storing place.

•Warehouses reduce distribution cost of the traders by storing the goods in bulk and allow the trader to take the goods in small lots to his shop.

• It helps in selection of channel of distribution. The producer will prefer whether to appoint a wholesaler or retailer.

• It assists in maintaining the continuous sales and avoids the possibilities of "out of stock" position.

• It creates employment opportunities for both skilled and unskilled workers, to improve their standard of living.

UNIT III	CHAPTER 14 TRANSPORTATION

II. Very Short Answer Questions

1. **Define transport.**
   According to K.K. Sexena, "the transport system acts with reference to the area it serves in the same way as a candle does in a dark room".
2. **State any two services rendered by transport.**
   It increases the efficiency of production The object of production is consumption. Effective transport system creates time and place utilities and thereby influences the demand for goods and the value of goods. It stimulates wants by increasing quantity and variety of consumer goods It helps in getting commodities, which cannot be had or produced in a region due to unsuitable natural conditions. Without adequate and effective transport, goods cannot be had either in the quantities or varieties required in a complex economy.
3. **Write any two advantages of water transport**
   - Less Maintenance Cost
   - Useful for Bulky Goods
   - Useful During Natural Calamities
   - Helpful in Defence
   - Important for Foreign Trade

III. Short Answer Questions

1. **What is bill of lading?**

Bill of Lading is a document containing the terms and conditions of the contract of carriage. It is issued by the shipping company and signed by the captain of the ship. It acknowledges the receipt of the goods described in it on board the ship. It also serves as an official receipt of goods. It is a document of title of goods. The main contents are: Name of Exporter, name of the ship, place of loading, particulars of goods shipped, port of destination, freight paid or to be paid, person to whom delivery of goods is to be made, date etc.

2. **What is charter party?**

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

IV. Long Answer Questions

1. **Explain different types of transport.**

Transport system can be classified in different ways depending on the types of transport, the ways and means of transport and also the motive power used in transport.

• Surface Transport

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

✓ Pack Animals

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

✓ 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.

✓ Motor Lorries and Buses

From the dawn of civilization, people have been endeavoring to form roads and use wheeled vehicles to facilitate transport of men and materials.

• Water Transport

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

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

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

• 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

2. **Discuss the advantages of railway transport.**

•Railways are well suited for carrying heavy and bulky goods over long distances.

• It can provide long distance travel throughout the day and night with unbroken services.

• It can provide better production and safety to the goods than motor transport. The goods generally carried in closed wagons are not exposed to sun, rain etc.

•Though initial investment is large, in the long run the operating expenses will be very low in railways and it will prove a cheaper mode of transport. It requires less time than motor transport for carrying goods over long distance with greater speed

• It has regular schedule of timing and is available throughout the year.

• It provides unaffected services whether rainy or shinny weather conditions.

UNIT III

CHAPTER 15

INSURANCE

II. Very Short Answer Questions

1. **List any five important type of policies.**
   - Whole Life Policy
   - Endowment Life Assurance Policy
   - Joint Life Policy (JLP)
   - Annuity Policy
   - Children's Endowment Policy
2. **What is 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.

II. Short Answer Questions

1. **Define Insurance.**

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

2. **Give the meaning of crop insurance.**

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

3. **Write a note on IRDAI**

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

IV. Long Answer Questions

1. **Explain the various types of Insurance**

Insurance covers different types of risks. All contracts of insurance can be broadly classified as follows:

➢ Life Insurance (or) Life Assurance

➢ Non-life Insurance (or) General Insurance

It can be further classified into:

- Fire Insurance;
- Marine Insurance
- Health Insurance and
- Miscellaneous Insurance.

Life Insurance Life Insurance may be defined as a contract in which the insurance company called insurer undertakes to insure the life of a person called assured in exchange of a sum of money called premium which may be paid in one lump sum or monthly, quarterly, half yearly or yearly and promises to pay a certain sum of money either on the death of the assured or on expiry of certain period.

- ➢ Whole Life Policy
- ➢ Endowment Life Assurance Policy
- ➢ Joint Life Policy (JLP)
- ➢ Annuity Policy
- ➢ Children's Endowment Policy

Non – Life Insurance

It refers as the insurance not related to human 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 upto 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

- ➢ Hull or Ship Insurance
- ➢ Cargo Insurance
- ➢ Freight Insurance

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.

- ➢ Individual Mediclaim
- ➢ Family Floater Policy
- ➢ Unit Linked Health Plans

Miscellaneous Insurance

➢ Motor Vehicle Insurance

This is also known as 'Auto Insurance'. This policy comes under General Insurance. This insurance has become very popular and is gaining importance.

➢ Burglary Insurance

This policy comes under the category of insurance of property. Any loss of damage due to theft, larceny, burglary, housebreaking and acts of such nature are covered by this policy

2. Explain the principles of insurance.

• Utmost Good Faith

According to this principle, both insurer and insured should enter into contract in good faith.

• 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.

• 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.

• Causa Proxima

The word 'Causa proxima' means 'nearest cause'. According to this principle, when the loss is the result of two or more cause, the proximate cause, i.e. the direct.

• 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.

• 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.

• 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.

UNIT IV	CHAPTER 16 EMERGING SERVICE BUSINESS IN INDIA

II. 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?

Franchising fees: The initial franchising fee and the subsequent renewal fees can be very high in case of successful businesses. Fixed royalty payment: The franchisee has to make payment of royalty to the franchiser on a regular basis.

3. What is meant by BPO

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

4. What is meant by Logistics .

Design and operation of the physical, managerial, and informational systems needed to allow goods to overcome time and space (from the producer to the consumer)'

III. 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. Business format franchising: When a franchisor awards rights covering all business aspects as a complete business package to the franchisee it is called as business format franchising. This package includes training , support and the corporate name. This enables uniformity of products, services, environment across geographical boundaries with a high degree of standardisation

2. List the steps in 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 a global access to information about variety of products and services available in the market

• They could buy the products/services round the clock from anywhere in world

• The prices of products bought through e – commerce tend to be relatively lower than those purchased physically in the conventional shops due to offers, discount etc.

• Electronic and software products could be downloaded immediately after purchase through e – commerce mode

• Customers could participate in e auction which is one of the facets of e – commerce and get contract in a free and fair manner

• Individuals could sell their used products through e – commerce mode with relative ease.

• Buyers can bargain and negotiate better terms and conditions with respect to buying knowledge products

IV. Long Answer Questions

1. Enumerate the advantages of franchising

a) Reduced risk:

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

b) Business expansion:

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

c) Cost of advertising:

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

d) Operational support:

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

2. Elucidate the features of factoring

a. Maintenance of book-debts

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

b. Credit coverage

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

c. Cash advances

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

d. Collection service

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

e. Advice to clients

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

UNIT IV	CHAPTER 17 SOCIAL RESPONSIBILITY OF BUSINESS

II. Very Short Answer Question

1. Give the meaning of Social Power

Businessmen have considerable social power. Their decisions and actions affect the lives and fortunes of the society. They collectively determine for the nation such important matters as level of employment, rate of economic progress and distribution of income among various groups

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?

This includes the behaviour of the firm that is expected by society but not codified in law. For example, respecting the religious sentiments and dignity of people while advertising for a product.

III. Short Answer Question

1. Define the Concept of Social Responsibility?

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

2. List the kinds of Social Responsibility.

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

IV. Long Answer Questions

1. Explain in detail the concept and need for Social Responsibility?

Self-Interest

A business unit can sustain in the market for a longer period only by assuming some social obligations.

Creation of Society

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

Social Power

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

Image in the Society

A business can improve its image in public by assuming social obligations.

Public Awareness

Now-a-days consumers and workers are well informed about their rights. Consumers expect better quality products at reasonable prices.

Free Enterprise

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

Law and Order

Any business unit can survive and grow only when there is law and order in society

2. . How do you classify Social Responsibility?

✓ Economic Responsibility

A business enterprise is basically an economic entity and, therefore, its primary social responsibility is economic i.e., produce goods and services that society wants and sell them at a profit

✓ Legal Responsibility

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

✓ Ethical Responsibility

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

✓ Discretionary Responsibility

This refers to purely voluntary obligation that an enterprise assumes, for instance, providing charitable contributions to educational institutions or helping the affected people during floods or earthquakes

UNIT V	CHAPTER 18 BUSINESS ETHICS AND CORPORATE GOVERNANCE

II. Very Short Answer Questions

1. What is ethics?

‘A business that is in the making of only money is a poor kind of business.’ Hendry Ford. Ethics is derived from the Greek word ‘ethos’ which means a person’s fundamental orientation towards life

2. Write any two key elements of business Ethics
   - Top Management Commitment
   - Publication of a “Code”
   - Establishment of Compliance Mechanism
3. Define corporate governance

   ‘The proper governance of companies will become as crucial to the world economy as the proper governing of countries.

   -Jeames Wolfenson, President of World Bank, 1999

II. Short Answer Questions

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

•Business exists to supply goods and services to the people from social point of view but from individual point of view, the primary objective of any business unit is to make profit.

•The individual objective should not be in conflict with societal objective.

•These two objectives normally contradict each other, as one business enterprise may be good in individual objective and bad at societal objective and vice versa.

.Why MNC’ s in India

- India has a huge market
- It is one of the fastest growing economies in the world
- Favorable policies of the government towards FDI.
- Financial liberalization of the country after 1991.
- Government encourages and makes continuous efforts to attract foreign investment by relaxing policies

IV. Long Answer Questions

1. Explain the different key elements of business ethics.

Top Management Commitment

Top management has a very important role to guide the entire organization towards ethical behaviour.

Publication of a “Code”

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

Establishment of Compliance Mechanism

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

Involving Employees at All

Levels It is the employees at different levels who implement ethics policies to make ethical business a reality

Measuring Results

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

2. What are the benefits of corporate governance

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. Provides incentive to managers to achieve organizational objectives.
8. Eliminates wastages, corruption, risks and mismanagement.
9. Improves the image of the company.
10. The organization is managed to benefit the stakeholders.

UNIT VI	CHAPTER 19 SOURCES OF BUSINESS FINANCE

II. Very Short Answer Questions

1. Write a short notes on debentures

Debentures are an important instrument for raising long term debt capital. A company can raise funds through issue of debentures which bear a fixed rate of interest. The individual or person subscribing to debentures is called debenture holder.

2. Name any two sources of funds classifies under borrowed funds
   - ✓ Borrowed Funds
   - ✓ Debentures
   - ✓ Loan from banks
   - ✓ Loan from Financial Institution
   - ✓ Public Deposits
   - ✓ Lease Financing
3. Write any two examples of post office saving schemes
   - National Savings Monthly Income Account
   - Senior Citizen Savings Scheme Account

III. Short Answer Questions

1. Define Business finance.

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

2. What is pledge?

A customer transfers the possession of an article with the creditor (banker) and receives loan. Till the repayment of loan, the article is under the custody of the borrower.

3. Classify the sources of business finance On the basis of period

The different sources of finance can be further grouped into three categories on the basis of period

Short term finance
Medium term finance
Long term finance

IIV. LONG Answer Questions

1. List out the various sources of financing.

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

o Short term finance
o Medium term finance
o Long term finance

On the basis of period
Sources of Short Term Finance
Loans and Advances

Loan is a direct advance made in lump sum which is credited to a separate loan account in the name of borrower.

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.

Trade Credit

Trade credit is the credit extended by one trader to another for the purpose of purchasing goods and services

Sources of Medium Term

Finance Loans from Banks

When the bank lends for a period ranging from more than one year to less than five years, it is called medium term loan.

Loan from Financial Institutions

Where the financial institutions lends for a period ranging from more than one year to less than five years, it is called medium term

Lease Financing

Lease financing denotes procurement of assets through lease.

On the Basis of Ownership

• Owner's Funds

Owner's funds mean funds which are provided by the owner of the enterprises who may be an individual, or partners or shareholders of a company.

• Borrowed Funds

The term 'borrowed funds' denotes the funds raised through loans or borrowings. On the Basis of Generation of Funds

• Internal Sources

This includes all those sources generated from within the business enterprises.

• External Sources

External sources of funds include all those sources which generate funds from outside the business enterprise

2. Explain any five personal investment avenues

People invest the savings to gain financial security. They are investing their savings in a various investment avenues for various purposes. They may invest in various securities and wait for a stipulated period to get back their investments with higher value addition.

There are three aspects which need to be considered before investing the money namely liquidity, profitability, and safety. In other words some investments can be easily and readily encashed in the market without any loss.

Such investments are called liquid investments, for example bank deposits, government bonds, mutual funds, precious metals like gold, silver, platinum etc. while certain other investments cannot be liquidated immediately but they may fetch higher returns at maturity.

For example shares, real assets, debentures, public deposits, fixed deposits, money back insurance

UNIT VI	CHAPTER 20 INTERNATIONAL FINANCE

II. Very Short Answer Questions

1) Who are Foreign Institutional Investors?

Foreign direct investment (FDI) is an investment made by a company or an individual in one country with business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company.

2) What is a Depository Receipt?

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

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

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

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

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

III. Short Answer Questions

1. Explain the importance of international finance.

• International finance helps in calculating exchange rates of various currencies of nations and the relative worth of each and every nation in terms thereof.

• It helps in comparing the inflation rates and getting an idea about investing in international debt securities

• It helps in ascertaining the economic status of the various countries and in judging the foreign market.

• International Financial Reporting System (IFRS) facilitates comparison of financial statements made by various countries

2. What are Foreign Currency Convertible Bonds?

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

Features of FCCBs 1) FCCB is issued by an Indian company in foreign currency. 2) These are listed and traded in foreign stock exchange and similar to the debenture

3. Explain any three disadvantages of FDI

Exploiting Natural Resources:

The FDI Companies deplete natural resources like water, forest, mines etc.

Heavy Outflow of capital

Foreign companies are said to take away huge funds in the form of dividend, royalty fees etc.

Not Transferring Technology

Some foreign enterprises do not transfer the technology to developing countries.

IV. Long Answer Questions

1. Distinguish between GDR and ADR.

Basis	Global Depository Receipts GDR	American Depository Receipts ADR
Denomination	It is denominated in terms of any freely convertible currency	It is denominated only in US dollars
To whom it is issued	It is issued to investors in one or across more markets simultaneously	It is issued only to investors, who are residents of the United States of America
Listed in	Non-US Stock Exchange such as London Stock Exchange or Luxemburg Stock Exchange	American stock exchange
Approval	Issue of GDR does not require foreign regulatory clearances.	Issue of ADR requires approval from the Securities Exchange Commission (SEC) of United States of America
Mode of expression	GDRs are normally corelated to equity shares of the issuing company expressed in whole numbers	In many cases ADRs corelated to equity shares of the company are expressed as a fraction
Negotiation	It is negotiable all over the World.	It is negotiable only in America.

2. State any five features of FCCB.

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

UNIT VI	Chapter 21 Micro, Small and Medium Enterprises (MSMEs) and Self Help Groups (SHGs)

II. Very Short Answer Questions

1. Give some examples for micro enterprises.

clay pot making, fruits and vegetable vendors, transport (three wheeler tempos and autos), repair shops, cottage industries, small industries, handlooms, handicraft works etc

2. What is the aim of NEEDS?

The Scheme envisages providing entrepreneurship development training to educated young entrepreneurs, preparing business plans and helping them to tie up with financial institutions to set up new business ventures, besides linking them with major industrial clients

3. What is a Self Help 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. The benefits include mobilization of savings and credit facilities for the pursuit of group enterprise activity

III. Short Answer Questions

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

• Auto Ancillaries,
• Leather Products,
• Chemicals,
• Plastics,
• Garments,
• Jeweler

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

Employment Potential MSMEs generate more employment opportunities than large business concerns. Low Production Cost MSMEs do not require skilled labourers or professionals to run the organization Low Investment MSMEs do not require a huge capital to start the unit. Quick Decision Making MSMEs need not hire professional managers to run the management on a day to day basis.

3. Explain any three features of Self Help Group

. • The motto of every group members should be "saving first – credit latter"
• Self Help Group is homogeneous in terms of economic status.
• The ideal size of a Self Help Group ranges between 10 and 20 members.
• The groups need not be registered

IV. Long Answer Questions

1. Explain MUDRA Bank

The Government of India has launched MUDRA Bank with a capital amount of ₹20,000 crore, and credit guarantee corpus of ₹3,000 crore, to help Micro Small and Medium Enterprises (MSMEs) and startups to resolve problems relating to financing. MUDRA Bank refinances micro-Finance Institutions through a Pradhan Mantri Mudra Yojana (PMMY).

These measures will greatly increase the self confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs.

2. What are the objectives of SHGs?

- Focusing on empowerment of women.
- Saving people from the clutches of money lenders
- Building capacity of women and to enable them to participate in generating activities.
- Creating the habit of saving in the minds of the people who are economically backward.
- Promoting entrepreneurship skills among women.
- Creating awareness about the importance of credit circle or revolving credit and the payment of the circle.
- Elevating the economic standard of the member's families.

UNIT VII	CHAPTER 22 TYPES OF TRADE

II. Very Short Answer Questions

1. Give the meaning of Trade?

The buying and selling of goods and services consists of trade. The essence of trade is to make goods and services available to those persons who need them and are able and willing to pay for them. Trade is conducted in order to earn profit

2. What is Internal Trade?

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

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. India imports machinery, equipment, materials etc

4. Explain the meaning of Entrepot trade.

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

III. Short Answer Questions

1. Explain the types of Internal trade

Wholesale

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

Retail

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

2. Give three examples of India import and export items

Export items	Import items:
Petroleum products	1. Mineral fuels including oil
Jewelry	2. Gem, precious metals
3. Automobile	3. Electrical machinery and equipments
4. Bio-chemicals	4. Machinery including computers

IV. Long Answer Questions

1. What are the features of Internal trade?
   • The buying and selling of goods takes place within the boundaries of the same country.
   • Payment for goods and services is made in the currency of the home country.
   • It involves transactions between the producers, consumers and the middlemen.
   • It consists of a distribution network of middlemen and agencies engaged in exchange of goods and services.
   • In home trade the risk of transportation is very less when compared to the foreign trade.
   • In home trade the laws prevailing in that country only have to be followed
   . • The aim of home trade is to provide the goods and services economically.
   • The goods must be a part of domestic production.

2. Explain briefly the different types of Foreign trade?

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

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.

Entrepot Trade

Entrepot trade means importing of goods from one country and exporting the same to foreign countries. It is also known as 'Reexport trade'. E.g. Indian diamond merchants in Surat import uncut raw diamonds from South Africa

UNIT VII	CHAPTER 23 CHANNELS OF DISTRIBUTION

II. Very Short Answer Questions

1. Who is a middleman?

The term 'Middlemen' refers to all those who are in the link between the primary producer and the ultimate consumer in the exchange of goods or service. The various intermediaries can be broadly classified into two main categories.

1) Mercantile Agents 2) Merchant Middlemen

2. Define Retailer.

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

3. Who is a broker?

A Broker is one who bargains for another and receives commission for his service. He is paid 'brokerage' for his services .He brings buyer and the seller to the negotiating process and arranges for finalising contracts between them

4. What are the classifications of the merchant middlemen?

- Brokers
- Factors
- Commission Agents
- Del-credere Agents
- Auctioneers
- Warehouse keepers.

5. Who are the mercantile agents?

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

III. Short Answer Questions

1. Explain the types of mercantile agents.

Brokers A Broker is one who bargains for another and receives commission for his service. He is paid 'brokerage' for his services . Factors A factor is a mercantile agent to whom goods are entrusted for sale by a principal Commission Agent or Consignees 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.

- Wholesalers sell different varieties of a particular variety of product,
- They employ a number of agents or workers for distribution of products
- They need large amount of capital to be invested in his business,
- They generally provide credit facility to retailers,

IV. Long Answer Questions

1. What are the characteristics of retailers?

•Retailer generally involves dealing in a variety of items. A retailer makes purchases from producers or wholesalers in bulk for sale to the end consumers in small quantities.

•Retail trade is normally carried on in or near the main market area.

•Generally, retailers involve buying on credit from wholesalers and selling for cash to consumers.

•A retailer has indirect relation with the manufacturer (through wholesalers) but a direct link with the consumers.

2. What are the functions of Wholesalers?

✓ Collection of Goods: Wholesaler collects the goods from manufacturers or producers in bulk.

✓ Storage of Goods: Wholesaler collects and stores them safely in warehouses, till they are sold out. Perishable goods like fruits, vegetables, etc. are stored in cold storage facility.

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

✓ Financing: Wholesalers provide financial support to producers and manufacturers by providing money in advance to them. He also sells goods to retailer on credit. Thus, at both ends wholesaler acts as a financier.

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

3. What are functions of Retailers?

• Buying: A retailer buys a wide variety of goods from different wholesalers after estimating customer's demand. He selects the best merchandise from each wholesaler and brings all the goods under one roof. So, he performs the twin functions of buying and assembling of goods.

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

• 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.

• 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

• 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.

• Transportation: Retailers often carry goods from manufacturers to their retail outlets.

• Financing: Some retailers grant credit facilities to his customers and provide the facility of return or exchange of goods. Door delivery and after sale service are provided by retailers

UNIT VII

CHAPTER 24

RETAILING

I. Very Short Answer Questions

1. State the meaning of multiple shops.

A number of identical retail shops with similar appearance normally deal in standardised and branded consumer products established in different localities owned and operated by manufacturers or intermediaries are called as Chain stores or Multiple shops

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. The buyer inserts the coin or the tokens into the machine and receives a specified quantity of a product from the machine. AVMs are placed at a convenient location such as railway stations, airports, petrol pumps, etc.

3. What are specialty stores?

Speciallity Stores deal in a particular type of product under one product line only. For example, Sweets shop specialised in Tirunelveli Halwa, Bengali Sweets, etc.

III. Short Answer Questions

- Supermarkets are generally situated at the main shopping centres.
- The goods kept on racks with clearly labelled price and quality tags in such stores,
- The goods are sold on cash basis only. No credit facilities are made available.
- Supermarkets are organised on departmental basis
- It requires huge investment

2. Explain the demerits of multiple shops

- Limited variety : Multiple shops deal only in limited range of products.
- Absence of services: Customers do not get credit, home delivery and other facilities.
- Lack of personal touch: The owner loses direct personal contact with the customers. The paid staffs do not take personal interest in each and every customer.
- Inflexibility: All the branches centrally controlled and uniform policies are adopted for all the shops

IV. Long Answer Questions

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

Wide Choice:

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

Departmentally organised

Goods offered for sale are classified into various departments.

Facilities provided:

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

Centralised purchasing

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

2. Explain the different types of retailers.
   - Peddlers are individuals who sell their goods by carrying on their head or shoulders moving from place to place on foot.
   - Hawkers are petty retailers who sell their goods at various places such as bus stop, railway station, Public Park and gardens, residential areas and other public places using a convenient vehicle to carry goods from place to place.
   - Market Traders :Small traders open their shops at different places on fixed days or dates such as every Sunday or alternative Wednesdays and so on (Varasandhai - weekly market).
   - 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.
   - Speciality Stores : Speciallity Stores deal in a particular type of product under one product line only. For example, Sweets shop specialised in Tirunelveli Halwa, Bengali Sweets, etc.

UNIT VIII	CHAPTER 25 INTERNATIONAL BUSINESS

II. Very Short Answer Questions

1. What do you mean by international business?

International business denotes all those business activities which take place beyond the geographical limits of the country. It involves not only the international movements of goods and services, but also of capital personnel, technology and intellectual property like patents, trademarks, know-how and copy rights.

2. What is meant by Export Trade?

When the firm of country sells goods and services to a firm of another country it is called export trade. Export trade indicates selling of goods and services from the home country to a foreign country.

3. What is meant by Import Trade?

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

III. Short Answer Questions

1. Explain any three features of international business

(a) Involvement of Countries.

International business can take place only when transactions occur across different countries

(b) Use of Foreign Exchange.

Where countries trade with one another, it has to exchange the goods and services on the basis of foreign currency.

(c) Legal Obligations.

Foreign trade is to be conducted strictly in accordance with the export and import policy of the country concerned. The consent of the government is to be mandatorily obtained with reference to export and import of certain goods and services.

2. What are the features of entrepot trade

a) Import duty is not levied on such goods

b) These goods are reprocessed and repacked for re- export

c) Such goods are kept in the Bonded warehouse till they are re-exported.

IV. Long Answer Questions

1. List out the advantages of international trade

•Geographical Specialization

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

•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

•Economic Development.

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

•Generation of Employment.

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

•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

•Price Equilisation

International business helps to stabilize the prices of various commodities which are fluctuating on a daily basis in the world market.

2. Distinguish between internal and international trade

Basis	Domestic Business	International Business
Meaning	Domestic business refers to business transactions transacted within the geographical boundaries of a country	International business refers to the business transactions transacted in beyond the boundaries of a country
Participant s in Business	People / organization s within the country participate in business activities	People/organiz ations outside the country participate in business activities
Mobility of Factor of Production	The factors of production i.e. labour,, capital, technology, material, etc., move freely within the boundaries of the country	The factors of production i.e. labour,, capital, technology, material, etc., move across the boundaries of the country
Nature of Consumers	Consumers are relatively homogenous in nature in terms of culture, behavior ,taste, preferences, legal system, customs and practices, etc.,	Consumers are relatively heterogeneous in nature in terms of culture, behavior ,taste, preferences, legal system, customs and practices, etc prevailing across the countries,
Business System	Domestic business is governed by the rules, laws, policies taxation system of a single country	International business is governed by rules, laws and policies ,tariffs and quotas etc., of multiple

		countries
Currency Used	Domestic business transactions are settled by local currency of a country.	International business transactions are settled by foreign currencies
Mode of Transport	The goods involved in domestic business are mainly transported by roadways and railways.	The goods involved in international business is mainly transported by water and airways

UNIT VIII	CHAPTER 26 EXPORT AND IMPORT PROCEDURES

II. Very Short Answer Questions

1. What is meant by Indent?

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. There are three types of indent, namely open indent, closed indent and confirmatory indent.

2. Mention the types of Indent.
   - Open Indent
   - Closed Indent
   - Confirmatory Indent .
3. What is the Letter of credit?
   - Letter of Credit (LC) is an undertaking by its issuer (importer's bank) that bills of exchange drawn by the foreign dealer on the importer will be honoured upon its presentation by exporter's bank up to a specified amount

III. Short Answer Questions

1. What are the contents of Indents?

a. Quantity of goods sent
b. Design of goods
c. Price
d. Nature of packing shipment
e. Mode of shipment
f. Period of delivery
g. Mode of payment

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

•Mate's Receipt is the document issued by the captain of the ship acknowledging the receipt of goods on board by him to the port of specified destination.

•This contains details like quantity of goods shipped, number of packages condition for packing.

4. What are the document used in import trade

i. Import License
ii. Indent
iii. Letter of Credit
iv. Bill of Entry
v. Bill of sight
vi. Port Trust Dues Receipt

IV. Long Answer Questions

1. What are the object of import trade

i. Achieving Rapid Industrialization

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

ii. Meeting Consumer Demand

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

iii. Upgrading Standard of Living of the People

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

iv. Meeting Shortage Situation

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

v. Strengthening Defence

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

2. Distinguish between Bill of Lading and Charter Party

Basis	Bill of Lading	Charter Party
Meaning	This represents a document acknowledging receipt of goods on board for carrying them over to specified port of destination	It refers to an agreement to hire a whole or major part of ship when the goods take exported is heavy
Transferable	It can be transferred to third party by endorsement and delivery	It cannot be transferred to third party
Loan	Loan can be raised against it	Loan cannot be raised against it
Crew	Master and crew remain the agent of ship owner	Master and crew become the agent of exporter for a temporary period
Lease	It is not a lease of ship	It is a lease of ship

CHAPTER 27

FACILITATORS OF INTERNATIONAL BUSINESS

II. Very Short Answer Questions.

1. What is WTO?

The World Trade Organisation (WTO) was estabilished on 1st January 1995. The GATT was renamed as WTO with some changes. WTO has 164 member countries as on 29th July 2016 . India is one of the three founder members.

3. What do you mean by World Bank?

International Bank for Reconstruction and Development is commonly known as World Bank. It was set up in 1944 in order to reconstruct and rehabilitate first world war affected countries of Europe and assist in the development of developing countries.

4. What is Special Drawing Rights?

SDR was created by the IMF in the year 1969 as supplementary international reserve asset. It is described as paper gold. Initially the value of SDR was fixed to be 0.888671 grams of fine gold equivalent to one US dollar till the year 1973

III. Short Answer Questions

1. Write any three objectives of of IMF

The objective of IMF are mentioned below.

a. Promoting international monetary cooperation

b. Ensuring balanced international trade

c. Ensuring exchange rate stability

2. Mention the functions of SAARC.

Functions of SAARC are highlighted

•Monitoring and co-ordinating the development programme

•Determining inter-sectoral priorities

•Mobilizing cooperation within and outside the region.

•Dealing with modalities of financing

3. Describe the benefits of WTO

•WTO is promoting international peace and creating a conducive environment for conducting international trade

• It settles the trade disputes amicably among the member countries.

• It promotes the standard of living of people by increasing their income level from free trades

IV. Long Answer Questions.

1.Point out the objectives of WTO

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

2. Write down the functions of IMF

• It acts as short term credit institution at the international level.

• It provides machinery for ordinary adjustments of exchange rates.

• It has a reservoir of currencies of the member countries from which a borrower can borrow currencies of other nations.

• It promotes economic stability and global growth by encouraging countries adopt sound economic and financial policies.

• It 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.

• It helps member countries correct their imbalance in balance of payment.

UNIT VIII	Chapter 28 Balance Of Trade And Balance Of Payments

II. Very Short Answer Questions

1. What do you mean by Balance of payments?

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

2. What do you mean by Balance of trade?

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

III. Short Answer Questions

1. What are the credit items shown in currents accounts?

• Goods Export(visible)
• 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 capital account.

• Private Capital Private capital consists of foreign investments, long term loan and foreign currency deposits

• Banking Capital Banking capital includes movement into external financial asset and liabilities commercial and cooperative banks authorized to dealing in foreign exchange

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

IV. Long Answer Questions

1. Write any five features of balance payments

i. It is a systematic record of all economic transactions between one country and certain other countries of the world
ii. It is prepared for a period of three months or twelve months, i.e., usually 12 months
iii. It contains all receipts and payments both visible and invisible
iv. It includes all economic transactions both recorded on current account and capital account
v. Economic transactions are recorded according to double entry principle of book keeping. Accordingly receipts are recorded on credit side and payments are recorded on debit side

2. Distinguish balance of payment and balance of trade

Nature	Balance of Payment	Balance of Trade
Meaning	It is a systematic record of all economic transactions happened between the resident of one country and resident of foreign countries during a particular period.	Balance of trade is statement showing the net effect of export and import of a country
Nature of Transactions recorded	Transactions recorded It records both the transactions relating to goods and services	It records only transactions relating to merchandise , i.e. goods transactions
Capital Transactions	It records capital transactions	It does not record capital transactions
Structure	It includes balance of trade. balance of services, balance of unilateral transfer and balance of capital transactions	It is part of current account of BOP
Net Position	It always remains balanced in the sense that receipt side is made equal to payment side	It may be at favorable or unfavourable or in equilibrium state

UNIT VIII	CHAPTER 29 ELEMENTS OF CONTRACT

II Very Short Answer Questions

1. What is law?
Law means a 'set of rules' which governs our behaviour and relating in a civilized society. So there is no need of Law in a uncivilized society.
2. What is meant by contract
As per the Indian Contract Act, 1872, a "contract" is an agreement enforceable by law. The agreements not enforceable by law are not contracts. An "agreement" means 'a promise or a set of promises' forming consideration for each other.
3. How many parts of Indian contract law are classified
   a. General Contracts
   b. Special Contracts

III Short Answer Questions

1. what is meant by Offer
Offer (i.e. Proposal) [section 2(a)] When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other person either to such act or abstinence, he is said to make a proposal.
2. What do you mean by Agreement?
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 Agreement = offer / Proposal + Acceptance Contract = Agreement + Enforceability by law
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.

IV Long Answer Questions

1. Explain the essentials of a Valid Contract
- Offer and Acceptance There must be two parties to an agreement namely one party making the offer and the other party accepting it.
- Legal Relationship The parties must have the intention to create legal relationship between them. An agreement of Social or domestic nature is not at all a contract.
- Lawful Consideration (quid pro quo) As per Contract Act under Sec.2 (d) Consideration means something in return. he object of agreement should be lawful and legal. It must not be immoral, illegal or opposed to public policy.
- Free Consent (Section 13 & 14) Consent of the parties must be free and genuine. Consent means agreeing

upon same thing in the same sense at the same time

- Capacity of Parties (Section 11) The parties to a contract must have capacity (legal ability) to make valid contract.

2. Difference between Contract and Agreement.

Basis	Contract	Agreement
Definition	A contract is an agreement enforceable by law.	An Agreement is every promise or every set of promises forming consideration
Enforceability	Every contract is enforceable	Every promise is not enforceable.
Inter relationship	A contract includes an agreement	An agreement does not include a contract.
Validity	Only legal agreements are called contracts	An agreement may be both legal and illegal.
Legal Obligation	Every contract contains a legal obligation.	It is not necessary for every agreement to have legal obligation.

3. Explain the classification of Contract on the basis of the Performance.
   - Executed Contract A contract in which both the parties have fulfilled their obligations under the contract.
   - Executory Contract A contract in which both the parties are yet to fulfil their obligations, it is said to be an executory contract.
   - 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.
   - Bilateral Contract A contract in which both the parties commit to perform their respective promises is called a bilateral contract.

UNIT IX	CHAPTER 30 PERFORMANCE OF CONTRACT

II Very Short Answer Questions

1. State the ways of Performing a Contract.
   • Actual Performance When the party has done what he had undertaken to do, it is called actual performance
   • Attempted Performance When the party offers to perform his obligation, it is not accepted by the promisee.
2. Who is a Legal Representative?
   legal representative can demand Exception performance. Contrary intention appears from the contract. Contract is of a personal nature.
3. Who is an agent?
   According to Para 2 of Section 40, the promisor may employ a competent person such as agent to perform the promise, if the contract is not formed on personal condition.
4. What is meant by Reciprocal Promise.
   Promises which form consideration or part of consideration for each other are called 'reciprocal promise'.

III Short Answer Questions

• Promisee – only a promisee can demand performance and not a stranger demand performance of the contract.

• Legal Representative – legal representative can demand Exception performance. Contrary intention appears from the contract. Contract is of a personal nature.

• Third party – Exception to "stranger to a contract"

2. Who can execute and Perform a Contract?

Promisor himself Under Para 1 to Section 40, it is laid down that where it appears from the nature of the contract

Agent

According to Para 2 of Section 40, the promisor may employ a competent person such as agent to perform the promise

Representations

A contract which involves the use of personal skill or it is found on personal considerations

Third Person

According to Section 41, if a promisee accepts the performance of the promise by a third person he cannot afterwards enforce it against the promisor

3. What are the kinds of Reciprocal promise

i. Mutual and Independent

Where each party must perform his promise independently without the performance of the other, the promise are mutual and independent, For example Ramu agrees to pay Somu the amount for the rice supplied on 10th June. Somu promises to deliver rice on 18th June.

ii. 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. For example A agrees to construct a building for B. B agrees to supply cement for the construction. Hence A's promise to perform depends on B's promise.

iii. Mutual and Concurrent

Where the two promises are said to be performed simultaneously, they are said to be mutual and concurrent.

IV Long Answer Questions

1. Explain the essential of a valid tender of performance
   i) It must be unconditional
   ii) It must be for the whole obligation and must not be in instalments, if the contract requires in full.
   iii) It must be by a person who is in a position and willing to perform the promise.
   iv) It must be at the proper time and place.
   v) It must be in proper form.
   vi) It must be made to a proper person i.e. to the promisee or his authorized agent.
   vii) In case of the tender of goods the promisee must be given a reasonable opportunity to inspect the goods.
   viii) It may be made to one of the several joint promisees.

2. . How do you think appropriation of payments takes place?

   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.

   Appropriation as Per express Instructions

   Every debtor who owes several debts to a creditor has a right to instruct his creditor to which particular debt, the payment is to be appropriated or adjusted.

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

   If section 60 is attracted, the creditor shall have the discretion to apply such payment for any lawful debt which is due to him from the person making the payment.

   Application of payment where neither party appropriates [61]

   The payment shall be applied in discharge of the debts in order of time whether they are or are not based by the limitation Act 1963,

UNIT IX	CHAPTER 31 DISCHARGE AND BREACH OF A CONTRACT

II. Very Short Answer Questions

1. What are the kinds of consent?

The consent may be of the following types (i) Express: Express consent may be given at the time of formation of the contract or subsequent to its formation (ii)Implied: The contracts are also discharged by implied consent, different modes of discharge by implied consent

2. What are the types of Impossibility of Performance?

i) Impossibility existing at the time of agreement.

ii) Impossibility arising subsequent to the formation of contract

3.what are the types of damages

i) Ordinary damages

ii) Special damages

iii) Vindictive or exemplary damages and

iv) Nominal damages.

III. Short Answer Questions

1. What are the various types of remedies for the injured parties

i) Recission of Contract.

ii) Claim for Specific Performance.

iii)Claim for Injunction.

iv) Claim for Quantum Merit and

v) Claim for Damages.

2. What are the types of cases the court may order injunction

(a) if the contract is voidable.

(b) if the contract becomes void or

(c) on discovering the contract as void.

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IV. Long Answer Questions

1. Explain the ways of discharge of Contract?

• 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.

• 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

• By Impossibility of Performance

A contract may be discharged if its performance becomes impossible. The rule of impossibility of performance is based on the following maxims

• 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.

• By Operation of Law

A contract can be discharged by the operation of law. The operation of law by which contract can be discharged

2. What is meant by damages and what are its types

Damages are a monetary compensation awarded by the court to the injured party for the loss or injury suffered by him. As per contract, one party can claim damages if other party breach the contract. The main purpose of awarding the damages is to make good the loss suffered by him. It is known as doctrine of restitution. The Section 73 of the Indian Contract Act, 1872 deals with the compensation for loss or damages caused by a party for breach of contract.

There are mainly four types of damages, such as

i) Ordinary damages
ii) Special damages
iii) Vindictive or exemplary damages and
iv) Nominal damages

UNIT X	CHAPTER 32 DIRECT TAXES

II. 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 individuals and other artificial entities (a partnership firm, company, etc.)

2. What is meant by previous year?

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

3. What is an assessment year?

The year in which tax is paid is called the assessment year. It normally consisting of a period of 12 months commencing on 1st April every year and ending on 31st March of the following year

III. Short Answer Questions

1. List out the five heads of income.

These five heads are;

• Income from 'Salaries' [Sections 15- 17];
• Income from 'House Property' [Sections 22-27];
• Income from 'Profits and Gains of Business or Profession' [Sections 28- 44]
• Income from 'Capital Gains' [Sections 45- 55]; and
• Income from 'Other Sources' [Sections 56- 59].

2. Write short notes on: 1. Direct Tax. 2. Indirect Tax

• 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

• Indirect Tax:

If tax is levied on the goods or services of a person (seller). It is collected from the buyers and is paid by seller to the Government. It is called indirect tax. e.g. GST.

3. Who are all included in the term person

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 'assessees'.

IV. Long Answer Questions

1. Elucidate any five features of Income Tax.

• Levied as Per the Constitution

Income tax is levied in India by virtue of entry No. 82 of list I (Union List) of Seventh Schedule to the Article 246 of the Constitution of India.

• 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.

• Direct Tax

Income tax is direct tax. It is because the liability to deposit and ultimate burden are on same person. The person earning income is liable to pay income tax out of his own pocket and cannot pass on the burden of tax to another person.

• Annual Tax

Income tax is an annual tax because it is the income of a particular year which is chargeable to tax.

• 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 'assessees'.

• Tax on Income

It is a tax on income. The Income tax Act has defined the term income and it includes salary income, house property income, business/profession income, capital gains and other sources income. However, there are certain incomes which are specifically exempt from income tax.

• Income of 'Previous Year' is Assessable in 'Assessment Year'

Income earned during a particular financial year is assessed to tax in the immediately following financial year. The year of earning income is called 'Previous Year' and the year in which assessment of income is done is called 'Assessment Year'. The income tax return of previous year's income is filed in the relevant assessment year.

• Charged at Prescribed Rate(s)

Income tax is charged at prescribed rate(s). The rates of income tax differ for different income and for different persons. While taxrates for normal incomes are prescribed by the annual Finance Act, tax rates for certain special incomes have been prescribed under Income Tax Act itself

• Applicability Income

Tax is applicable throughout India including the State of Jammu and Kashmir.

UNIT X	CHAPTER 33 INDIRECT TAXATION

II. Very Short Answer Questions

1. What do you mean by Indirect tax.

Indirect Tax is levied on the goods and services. It is collected from the buyers by the sellers and paid by the sellers to the Government. Since it is indirectly imposed on the buyers it iscalled indirect tax. e.g. GST - Goods and Services Tax, Excise duty.

2. Give any two examples for indirect taxes levied in India.

• GST - Goods and Services Tax,
• Excise duty

3. What do you mean by Goods and Services Taxes?

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

4. What is CGST?

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

III. Short Answer Questions

1. What are the objectives of GST?

•The foremost objective of GST is to create a common market with uniform tax rate in India. (One Nation, One Tax, One Market

•To eliminate the cascading effect of taxes, GST allows set-off of prior taxes for the same transactions as input tax credit.

•To boost Indian exports, the GST already collected on the inputs will be refunded and thus there will be no tax on all exports.

•To increase the tax base by bringing more number of tax payers and increase tax revenue.

•To simplify tax return procedures through common forms and avoidance of visiting tax departments.

2. Write any three demerits of GST.

•Several Economists says that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.

•Another criticism is that CGST, SGST are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.

•A number of retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive.

IV. Long Answer Questions

1. Distinguish between direct taxes and indirect taxes

Basis	Basis	Indirect Taxes
Meaning	If a tax levied on the income or wealth of a person is paid by that person (or his office) directly to the Government, it is called direct tax.	If tax is levied on the goods or services of a person is collected from the buyers by another person (seller) and paid by him to the Government it is called indirect tax
Incidence and Impact	Falls on the same person. Imposed on the income of a person and paid by the same person	Falls on different persons. Imposed on the sellers but collected from the consumers and paid by sellers.
Evasion	Tax evasion is possible	Tax evasion is more difficult
Inflation	Direct tax helps in reducing the inflation	Indirect tax contributes to inflation
Shiftability	Cannot be shifted to others	Can be shifted to others
Examples	Income Tax, Wealth Tax	GST, Excise Duty

2. Discuss the different kinds of GST

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

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

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

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

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