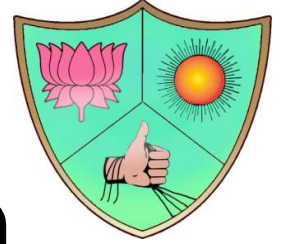
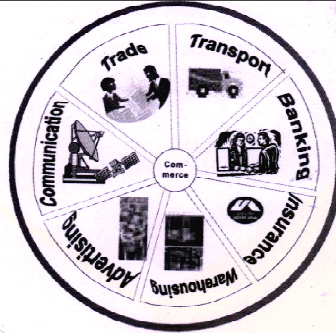


**VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL**

**PANNAIKADU PIRIVU  
KODAIKANAL**

**COMMERCE****XI STANDARD****COMMERCE FULL MATERIAL**

**NAME** : \_\_\_\_\_

**REG NO** : \_\_\_\_\_

**PREPARED BY**

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மாணவ நண்பர்களுக்கு,

வணிகவியல் பாடத்தில் நல்ல மதிப்பெண்களை பெற வேண்டும் என்ற நோக்கத்தில் எளிமையான முறையில் படிப்பதற்கு வசதியாக எனது 5 வருட பணி அனுபவத்தை கொண்டு இந்த **material** – யை தொகுத்துள்ளேன். தமிழ் வழியில் **Padasalai**- யில் கிடைத்த **material** – யை அடிப்படையாக வைத்தே எனது பாணியில் எனது மாணவர்களுக்கு ஏற்றவாறு தயார் செய்த இந்த தொகுப்பை அனைத்து மாணவர்களும் பயன்பெற வேண்டும் என்ற நோக்கத்திலேயே **Padasalai** – யில் வெளியிட்டுள்ளேன். எனது இந்த தொகுப்பில் ஏதேனும் பிழைகள் குறைகள் இருந்தால் சரிசெய்து கொள்ளவும். பின் தங்கிய மாணவர்களும் நல்ல மதிப்பெண்களை பெற வேண்டும் என்ற நோக்கத்திலேயே இதை தொகுத்துள்ளேன்.

தற்பொழுது அரசு வெளியிட்டுள்ள புது பாட புத்தக தொகுப்பு மிகவும் கடுமையான முறையில் உள்ளதால் மாணவர்கள் சிரம பட்டு படிக்க வேண்டிய சூழ்நிலையில் உள்ள இந்தச் சூழலில் என்னால் இயன்ற அளவிற்கு மிக எளிமையாக வினாக்களுக்கு விடைகளை தொகுத்து அனைவரும் தேர்ச்சி பெற வேண்டும் என்ற நோக்கத்தில் உருவாக்கியுள்ளேன்.

இதுவரை எனது அத்தனை **Material** – களையும் வெளியிட்டு தந்த **Padasalai & Namma Kalvi** இணையதளத்திற்கு மிக்க நன்றி.

மாணவ நண்பர்களே!! நேரத்தை சரியாக பயன்படுத்தி கொள்ளுங்கள். சரியான நேரத்தில் சரியான முறையில் படித்து வெற்றி பெற்று அடுத்த கட்ட நிலைக்கு செல்ல வேண்டிய இறுதி நிலையில் உள்ளாய். நேரத்தை வீணாக்காதே! அடுத்து என்ன செய்ய போகிறாய் என்பதை முதலில் தீர்மானி. மதிப்பெண்களை பெறுவதிலேயே கவனத்தை வை. முயன்றால் முடியாதது எதுவுமில்லை. கடினமாக தான் இருக்கும். கஷ்டப்பட்டு படித்தால் நல்ல முன்னேற்றத்தை அடைவாய்.

பள்ளி பருவத்தில் நீ பெறும் வெற்றியே உன் வாழ்க்கை முழுவதையும் தீர்மானிக்க போகிறது என்பதை நன்றாக கவனம் கொள். தினமும் காலையில் படிப்பதற்கு முன் உன் இலக்கு என்ன என்பதை இரு நிமிடம் யோசித்து பார். நீ செல்வது சரியான பாதையா என்றும்!!!! உன் பெற்றோரின் உழைப்பையும் சிந்தித்துப் பார். பிறகு படிக்க ஆரம்பி. கவனம் சிதறாமல் படிப்பில் கவனத்தை செலுத்துவாய். பிறகு நீயாகவே முயற்சி செய்து நல்ல மதிப்பெண்களையும் பெறுவாய். நல்ல மதிப்பெண்களை பெற வாழ்த்துக்கள்.

உங்களுக்காக நாங்கள்!!!!

உன் வெற்றியே எங்கள் வெற்றி!!!!!!

உங்கள் வெற்றியில் பெருமைப்பாட நாங்களும் காத்திருக்கிறோம்!!!!!!

**WISH YOU ALL THE BEST FOR YOUR ANNUAL EXAMINATION 2019**

P. Srinivas

ஆசிரியர்

## CHAPTER – 1

**HISTORICAL BACKGROUND OF COMMERCE IN THE SUB-CONTINENT****I. CHOOSE THE BEST ANSWER:**

- The place where the goods are sold is \_\_\_\_\_.  
 (a) Angadi (b) Market (c) Nalangadi (d) Allangadi
- Hindrance of place is removed by \_\_\_\_\_.  
 (a) Transport (b) Warehouse (c) Salesman (d) Insurance
- Who wrote "Arthasasthra"?  
 (a) Kautilya (b) Chanakya (c) Thiruvalluvar (d) Elangovadigal
- Trade and Commerce was common to \_\_\_\_\_ Dynasty.  
 (a) Pallava (b) Chola (c) Pandiya (d) Chera
- \_\_\_\_\_ was first sultan who paved way in the dense forest and helped traders to move from one market place to others place for their commercial caravans.  
 (a) Balban (b) Vasco da Gama (c) Akbar (d) Alauddin Khilji

**II. VERY SHORT ANSWER QUESTIONS****1. What is meant by Barter system?**

Goods were exchanged for goods prior to invention of money.

**2. What is meant by Nallangadi?**

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

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

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

**III. SHORT ANSWER QUESTIONS:****1. Explain the meaning of the term "Vanigam".**

- ➔ The word vaniyam or vanipam would have had a Dravidian origin.
- ➔ 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.

**2. State the meaning of Maruvurappakkam and Pattinappakkam.****i). Maruvurappakkam:**

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

- ✧ Ex: Tondi, Korkai, Puhar and Muziri.

## ii). Pattinapakkam:

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

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

- ❖ The main trade routes were passing through thick forests over Western Ghats.
- ❖ Many such ports were developed during the Sangam period.
- ❖ Main roads known as Peruvali were built for surface transportation.

## 4. What are the ports developed by Pandiya kingdom?

- ★ Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with markets to imports and exports.
- ★ They were engaged in different kinds of fishing pearls, and conches and produced salts and built ships.
- ★ Domestic trade used to Boats like 'Padagu', 'Thimil', 'Thoni', 'Ambu' 'Odampunai' etc...
- ★ Foreign trade while Kalam, Marakalam, Vangam, Navai etc.. were used.

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

- ✧ Kautilya gave importance for the State in relation to treasury, taxation, industry, commerce, agriculture and conservation of natural resources.
- ✧ Arthasasthra focused on creation of wealth as the means to promote the well being of the state.

## IV. Long Answer Questions

### 1. What are the hindrances of business?

#### i. Hindrance of place

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

#### ii. Hindrance of time

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

#### iii. Hindrance of risk of loss

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

#### iv. Hindrance of knowledge

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



**v. Hindrance of finance**

- ✓ Banks and other financial institutions provide funds and help in transfer of funds to enable the functioning of business smoothly.

**2. State the constraints in barter system.****i). 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.

**ii). 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.

**iii). Lack of direct contact between producer and consumers**

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

**iv). 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. Explain the development of Commerce and Trade in North India.**

- ✱ Balban was the first sultan who paved the way in the dense forest and helped traders to move from one market place to others.
- ✱ The important trade centers were Delhi, Mumbai, Ahmadabad, Sonar, Sonar goon, Jaunpur, Lahore.
- ✱ India's handicraft commanded a good foreign market.
- ✱ India imported horses, dry fruits, precious stones, glassware, raw silk, corals, etc.. from Kabul, Arabia, Europe, West Asia and China.
- ✱ Indian products were exported to East Africa, Malaya, China and Far East.

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

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

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

- ☉ Foreigners who transacted business were known as Yavanars.
- ☉ Arabs who traded with Tamil were called 'Jonagar'.
- ☉ Pattinappalai praised Kaveripumpattinam as a city where various foreigners of high civilization.
- ☉ Many such ports were developed during the Sangam period.
- ☉ Kaveripumpattinam was the chief port of the Kingdom of Cholas.

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## CHAPTER – 2

### OBJECTIV OF BUSINESS

#### I. CHOOSE THE BEST ANSWER:

1. The Primary objective of a business is
 

(a) Making Profit	(b) Not making Profit
(c) Special Skill	(d) None of the above
2. Occupation of a Doctor is
 

(a) Employment	(b) Business	(c) Profession	(d) Sole Proprietor
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3. The following does not characterize business activity?
 

(a) Production of goods and services	(b) Presence of risk
(c) Sale or exchange of goods and services	(d) Salary or wages
4. Activities undertaken out of love and affection or with social service motive are termed as:
 

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

#### II. VERY SHORT ANSWER QUESTIONS

##### 1. Define Economic Activities.

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

##### 2. What do you mean by Business?

Business refers to "Economic activities performed for earning profits."

- James Stephenson

##### 3. Define Profession.

It includes professional activities which are subject to guidelines or codes of conduct laid down by professional bodies

##### 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.

### III. SHORT ANSWER QUESTIONS:

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

##### I. 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
- Selling by retailers
- Accounting practice by chartered accountants

##### II. Non-Economic Activities

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

##### Examples:

- ❖ Cooking food for family
- ❖ Celebrating festivals
- ❖ Watching movies in a theatre
- ❖ Doing meditation

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

##### a). 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.
- ☞ Economic activities performed for earning profits.” - **James Stephenson**

##### b). Profession:

- ✱ 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. Explain the concept of '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.
- ☞ “Economic activities performed for earning profits.” - **James Stephenson**
- ☞ Business activities are connected with raising, producing or processing of goods.

☞ Industry creates form utility to goods by bringing materials into the form.

#### ☞ 4. Briefly state the human objectives of a business.

##### i). Economic Objectives

- ⤴ It refers to the objective of earning profit.
- ⤴ To be pursued to achieve the profit objective,

**ii). Social Objectives**

- Desired to be achieved for the benefit of the society.
- No activity of the business should be aimed at giving any kind of trouble to the society.

**iii). Human Objectives**

Its include economic well-being of the employees, social satisfaction of employees and development of human resources.

**IV. Long Answer Questions****1. Explain the characteristics of Business.****i. Production or Procurement of Goods:**

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

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

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

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

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

**iv. Regularity of Dealings:**

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

**v. 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.

**2. Compare business with profession and employment?**

S.no	Transactions	Business	Profession	Employment
1	Qualifications	No qualification	Qualification must	Minimum qualification
2	Basic Motive	Earning profits	Service	Earning wages or salary
3	Capital	Small capital	Limited capital	No capital required
4	Risk	Uncertain and Irregular	Regular and Certain,	Fixed and regular
5	Transfer of Interest	Possible	Not possible	Not transferable

**3. Discuss any five objectives of business?****i. Economic Objectives:**

- ✱ To the objective of earning profit.

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

#### ii. Social Objectives:

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

#### iii. Organizational Objectives:

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

#### iv. Human Objectives:

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

#### v. National Objectives:

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

#### 4. Distinguish between economic and non economic activity.

S.no	Transaction	Economic Activity	Non-Economic Activity
1	Motive	Sole motive is to earn money or financial gain.	Undertaken for satisfaction of social, psychological or emotional needs.
2	Money Measurement	It can be valued.	It cannot be valued.
3	Relationship	To creation of wealth.	Do not create wealth.
4	Duration	It's repetitive.	It's not repetitive.
5	Source of Initiation	To satisfy human needs and wants	To the satisfy emotional pleasures.

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### CHAPTER - 3

#### CLASSIFICATION OF BUSINESS ACTIVITIES

#### I. CHOOSE THE BEST ANSWER:

- The industries engaged in extraction of iron ore are known as
  - Construction Industries
  - Manufacturing Industries
  - Extraction Industries
  - Genetic Industries
- Auxiliaries to trade is also called as
  - Trade
  - Advertisement
  - Warehousing
  - Aids to Trade

3. Production which involves several stages for manufacturing finished product is known as
- (a) Analytical Industry (b) Synthetic Industry
- (c) Processing Industry (d) None of the above
4. Normally high level risk involved in
- (a) Industry (b) Commerce (c) Trade (d) All of the above
5. Commerce is mainly concerned with
- (a) Connecting producer and consumer (b) Pricing of goods
- (c) Buying and Selling of goods (d) Manufacturing of goods

## II. VERY SHORT ANSWER QUESTIONS

### 1. Define commerce.

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

- Evelyn Thomas

### 2. What do mean by industry?

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

### 3. What is trade?

Trade means Purchase and sale of goods and services.

### 4. Write a short note on transportation.

The medium which moves men and materials from one place to another is called transport.

## III. SHORT ANSWER QUESTIONS:

### 1. Distinguish between Extractive industries and Genetic industries.

S.NO	EXTRACTIV INDUSTRIES	GENETIC INDUSTRIES
1.	To those activities which are concerned with extraction of production of wealth from air, water, soil.	To those activities which are undertaken for reproduction of plants and animals with object of making profit
2.	Examples: agriculture, mining, fishing, forestry, hunting.	Examples: Nurseries, raising, seeding plants, cattle forming.

### 2. 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.

### 3. Write any three characteristics of commerce.

- ★ Commerce deals with all economic activities undertaken for profit.



- ★ It involves an exchange of goods and service for profit.
- ★ Profit is an incentive for undertaking all commercial activities.

#### 4. Narrate commerce with an example.

- It refers to all those activities which are necessary for bringing goods from the place of production to the place of their consumption.
- *Commercial operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products”*

- Evelyn Thomas

- Its includes not only trade but also services such as transport, warehousing, packaging, insurance, and banking.

#### IV. Long Answer Questions:

##### 1. Explain the various kinds of industries on the basis of size.

###### ★ Micro Industries

A Unit where in investment in plant and machinery is upto Rs. 25 lakhs in case of manufacturing and upto Rs. 10 lakhs in case of service enterprises.

###### ★ Small Industries

A manufacturing unit wherein investment in plant and machinery is more than 25 lakhs but does not exceed Rs. 5 crore. In case of service enterprises these limits are Rs. 10 lakhs and Rs. 2 crore respectively

###### ★ Medium Industries

A manufacturing unit wherein investment in plant and machinery is more than 5 crore but does not exceed Rs. 10 crore. In case of service enterprises these limits are Rs. 2 crore and Rs. 5 crore respectively

###### ★ Large Industries

A manufacturing unit wherein investment in plant and machinery is exceeds Rs. 10 crore. In case of service unit investment in equipment exceeds Rs. 5 crore.

##### 2. Compare Industry, Commerce and Trade.

S.no	Transactions	Industry	Commerce	Trade
1	Scope	Consists of all activities involving conversion of materials into finished goods.	Comprises trade auxiliaries to trade	Comprises exchange of goods and service
2	Capital	Large Capital	Medium of capital	Small Capital
3	Risk	High Risk	Low Risk	No Risk
4	Side	It represents Supply Side	It represents Demand Side	It represents both supply and demand
5	Utility Creation	It creates form utility	It creates place utility	It creates possession utility

### 3. What are the characteristics of commerce?

#### i). Economic Activity:

- ➔ It consists of activities which are undertaken for earning profits.
- ➔ A trader buys goods with the aim of selling them at a profit.

#### ii). Exchange of Goods and Service:

- ☼ It involves exchange and distribution of goods and service.
- ☼ Goods may be purchased for sale.
- ☼ Commerce comprises trade and aids of trade.

#### iii). Profit Motive:

- ☼ The motive of commercial activities is to earn profit.
- ☼ Any activity which does not have the aim of profit will not be a part of commerce.

#### iv). Regularity of Transaction:

An isolated transaction does not imply commerce.

#### v). Creation of Utilities:

Commerce Creates Place utility, time utility for help to increase the volume of trade.

### 4. Write short notes on:

#### a. Analytical industry:

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

#### b. Genetic Industry:

These industries remain engaged in breeding plants and animals for their use in further reproduction.

Example: The seeds, nursery companies, poultry, dairy, piggery, hatcheries, nursery, fisheries, apiary.

#### c. Construction Industry:

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

### 5. Briefly explain the auxiliaries to trade.

#### i) Trade:

- ☼ Trade is an essential part of commerce.
- ☼ The term 'trade' is used to denote buying and selling.
- ☼ Trade may be classified into internal trade and external trade, wholesale trade or retail trade.

#### ii. 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.

**iii. Banking:**

- ♥ To start the business or to run it smoothly we require money.
- ♥ Banks supply money.
- ♥ Necessary funds can be obtained from bank.

**iv. Insurance:**

- ❖ Business involves various types of risks.
- ❖ Factory building, machinery, furniture etc, must be protected against fire, theft and other risks.
- ❖ Insurance provides protection in all such cases.

**v. Warehousing:**

- ⊗ Warehousing helps business firms to overcome the problem of storage and facilities.
- ⊗ Prices are thereby maintained at a reasonable level through continuous supply of goods.

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**CHAPTER - 4****SOLE PROPRIETORSHIP****I. CHOOSE THE BEST ANSWER:**

1. Which is the oldest form of Business organization?  
(a) Sole Proprietorship    (b) Partnership    (c) Co-operative Society    (d) Company
2. In which form the owner, establisher and manager is only one?  
(a) Joint Enterprise    (b) Government Company  
(c) Co-operative Society    (d) Sole Proprietor
3. A major disadvantage of sole proprietorship is \_\_\_\_\_.  
(a) Limited liability    (b) Unlimited liability    (c) Easy Formation    (d) Quick decision
4. From the following which one is Non-corporate form of business?  
(a) Joint stock company    (b) Sole trading business  
(c) Government company    (d) Co-operatives

**II. VERY SHORT ANSWER QUESTIONS****1. Who is called a Sole Trader?**

- ✱ Business organization which is owned and controlled by a single individual.
- ✱ It is called sole trader.

**4. What are the Non-corporate enterprises?**

- Sole Trading Concern
- Partnership
- Joint Hindu Family

**5. What are the Corporate enterprises?**

- ★ Government enterprise
- ★ Private company
- ★ Co-operative company

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

- a. Grocery store
- b. Medical store
- c. Craft centre
- d. Legal consultancy
- e. Internet café

**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. Write any three characteristics of Sole Proprietorship.*****i. Unlimited Liability***

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

***ii. No Separate Entity***

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

***iii. Maintenance of Secrecy***

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

**4. Give some examples of Sole trading business.**

- ✿ Fruit sellers
- ✿ Retail trade
- ✿ Handicrafts
- ✿ Tailoring shops
- ✿ Beauty parlor

**5. Define Sole trading business.**

- ★ It is that form of business organization which is owned and controlled by a single individual.
- ★ He receives all the profits and risks all of his property in the success or failure of the enterprise”.

- Wheeler

#### 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.

###### 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 entire profit:

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

###### v. 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. Flexibility:

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

##### 3. What are the disadvantages of Sole trading business?

###### i. Limited Capital:

- ✱ The capital is contributed by one individual only,

**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 Specialization:**

- ✿ 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.

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**CHAPTER- 5****HINDU UNDIVIDED FAMILY AND PARTNERSHIP****I. CHOOSE THE BEST ANSWER:**

1. The firm of Hindu Undivided Family is managed by whom?  
 (a) Owner                      (b) Karta                      (c) Manager                      (d) Partner
2. In the firm of Hindu Undivided Family, how one gets the membership?  
 (a) By Agreement    (b) By Birth                      (c) By Investing Capital    (d) By Managing
3. The Members in the joint Hindu family are called \_\_\_\_\_.  
 (a) Karta                      (b) Coparceners                      (c) Generations                      (d) Partners
4. Only the male members in the family get the right of inheritance by birth' as \_\_\_\_\_.  
 (a) Hindu law                      (b) Mitakshara Law                      (c) Dayabhaga law                      (d) None of these
5. A partnership is formed by \_\_\_\_\_.  
 (a) agreement                      (b) relationship among persons  
 (c) the direction of government                      (d) friendship
6. Registration of partnership is \_\_\_\_\_.  
 (a) compulsory                      (b) optional                      (c) not necessary                      (d) none of the above
7. A temporary partnership which is formed to complete a specific job doing a specified period of time is called \_\_\_\_\_.  
 (a) Partnership-at-will                      (b) Particular partnership  
 (c) Limited Partnership                      (d) Joint Venture



8. The partnership deed also called \_\_\_\_\_
- (a) Articles of Association (b) Articles of Partnership  
(c) Partnership Act (d) Partnership
9. A partnership is registered with \_\_\_\_\_
- (a) Registrar of Companies (b) Registrar of Co-operatives  
(c) Registrar of Firms (d) District Collector

## II. 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'.

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

- ♣ Dayabhaga law
- ♣ Mitakshara law

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

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

### 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.

### 5. Who is a Minor?

Person who has not completed 18 years of age is a minor.

### 6. How many types of Dissolution?

- ❖ Without the order of the court
- ❖ By order of the court.

## II. SHORT ANSWER QUESTIONS:

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

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

### 2. Write any 3 features of HUF.

#### i. Governed by Hindu Law

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

#### ii. Minor also a co-parcener

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

#### iii. Management

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

**3. Explain the nature of liability of karta.**

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

**4. What is the meaning of Coparceners?**

- ❖ In a Joint Hindu Family firm even a new born baby can be a co-parcener.
- ❖ The head of the family member is called Karta. And other members are called Coparceners.
- ❖ Today Hindu succession Act 2005 is applicable to all male and female members of a HUF.

**5. Define Partnership.**

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

- Prof. Haney

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

Minimum numbers of persons are 2.

Maximum number of partners 10 in banking sector and 20 in Non-banking sector.

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

- ★ A partnership firm can be formed through an agreement among two or more persons.
- ★ In India the agreement may be oral or writing.
- ★ Partnership agreement is also known as partnership deed.

**8. Who is called a Secret partner?**

- ❖ A secret partner is one whose association is not known to the general public.
- ❖ Other than this distinct feature, he is like rest of the partners in all respects.

**9. What is meant by Joint and Several Liabilities?**

- ✕ Every partner is jointly and severally liable for all acts of the firm.
- ✕ It means that in case the assets are inadequate for meeting the claims of creditors, even their personal properties should be made available.

**IV. Long Answer Questions****1. What is the implied authority of Karta?**

- ⊗ In a joint family firm, only Karta has the implied authority to enter into a contract for debts and pledge the property of the firm for the ordinary purpose of the businesses of the firm.
- ⊗ The Karta is the senior most male member of the family.
- ⊗ The members of the family have full faith and confidence in Karta.
- ⊗ Only karta is entitled to deal with outsiders.
- ⊗ Other members can deal with outsiders only with the permission of Karta.

**2. Can a minor is admitted in the Joint Hindu Family business – Why?**

- ⊙ In a partnership minor cannot become co-partner though he may be admitted to the benefit of partnership.

- ☺ In a joint hindu family firm even a new born baby can be a partner.
- ☺ The member ship of the family can be acquired only by birth.
- ☺ As soon as the male child is born in the family that child become a member.

### 3. What are the contents of Partnership Deed?

- ✿ Name of the Firm
- ✿ Nature of the proposed business
- ✿ Duration of partnership
- ✿ Capital contribution
- ✿ Withdrawal from the firm
- ✿ Interest on capital
- ✿ Loan from partners
- ✿ Retirement
- ✿ Goodwill valuation

### 4. Explain the types of dissolution of partnership firm.

- ✧ *Without the order of the court and*
- ✧ *By order of the court.*

#### a. Without the order of the court:

##### i. By agreement or mutual consent:

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

##### ii. By insolvency of all the partners but one:

- ✧ If any of the partners adjudged an insolvent it is necessary to dissolve the firm.

##### iii. When the objective becomes illegal:

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

##### iv. 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.

#### b. Dissolution through court:

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

- ✿ When a partner becomes insane
- ✿ Permanent incapacity of any partner
- ✿ Misconduct of any partner
- ✿ Transfer of interest to third person
- ✿ Continued loss

### 5. Write any three differences between Dissolution of Partnership and Dissolution of Firm.

S.no	Dissolution of Partnership	Dissolution of Firm
1	Only one or more of the partners terminate their connections with the firm.	All the partners terminate their connections with the firm.
2	It may or may not bring the business of the firm to an end.	It brings the business of the firm to an end.
3	The business will continue even after dissolution.	It cannot be continued in the case of dissolution of firm.

### 5. Write the procedure for Registration of a Firm.

- ✧ Name of the firm.
- ✧ The principal place of business.
- ✧ Name of other places where the firm carried on business.
- ✧ Names and addresses of all the partners.
- ✧ The date on which each partner joined the firm.
- ✧ The duration of the firm.

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## CHAPTER – 6

### JOINT STOCK COMPANY

#### I. CHOOSE THE BEST ANSWER:

- The relationship between outsiders and the company is defined in \_\_\_\_\_.  
 (a) Prospectus (b) Articles of Association  
 (c) Memorandum of Association (d) Certificate of Incorporation
- Table A of the Companies Act is a \_\_\_\_\_.  
 (a) Model minutes book (b) Model form of Balance Sheet  
 (c) Model of AOA (d) Model of MOA
- Which of the following is created by a Special Act of Parliament or in State Assemblies?  
 (a) Chartered company (b) Foreign company  
 (c) Government company (d) Statutory company
- The Board of directors of a company is elected by \_\_\_\_\_.  
 (a) Creditors (b) Debtors (c) Debenture holders (d) Share holders (members)
- Companies established as a result of a charter granted by the King or Queen of a country is called \_\_\_\_\_.  
 (a) Chartered companies (b) Statutory companies  
 (c) Registered companies (d) Foreign companies

## 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 up to the face value of shares held by him.

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

#### i). Limited Liability:

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

#### ii). Common Seal:

The common seal is the official signature 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.

## II. SHORT ANSWER QUESTIONS:

### 1. What are the advantages of Companies?

#### i. Large Capital

Y A company can secure large capital compared to a sole trader or partnership.

Y 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.

## 2. What is meant by Private Company?

- ✧ It is a type of company which is formed with minimum two shareholders and two directors.
- ✧ The minimum requirement with respect to paid up capital of ₹1, 00,000.
- ✧ Maximum of 200 persons can become shareholders in a private company.
- ✧ The name of private company should be suffixed with pvt ltd or (p) ltd.
- ✧ *Ex. Scientific publishing services private Limited, Chennai.*

## 3. What is meant by Government Company?

- Υ A public enterprise incorporated under the Indian Companies Act, 1956 is called a government company.
- Υ These companies are owned and managed by the central or the state government. “Government Companies” as any company in which not less than 51% of the is held by.

*- Section 617 of the Companies Act, 1956*

## 4. 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.

## IV. Long Answer Questions

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

#### i). Name Clause:

- ✿ The name clause requires to state the legal and recognized name of the company.
- ✿ The company name is allow to be registered.

#### ii). Situation Clause:

- ➔ It requires to show the physical location of the registered office of the company.
- ➔ It is required to keep all the company registers in this office.

#### iii). Objective Clause:

- ✿ It is required to state the ancillary objectives.
- ✿ To facilitate the achievement of the main objectives.

#### iv). Liability Clause:

- ✿ It requires to state the extent to which shareholders of the company are liable to the debt obligations of the company.
- ✿ There are companies limited by shares and limited by guarantee.

#### v). Capital Clause:

- ↔ It requires to state the company's authorized share capital.
- ↔ It is also required to list the company's assets under this clause.



## 2. What are the contents of Articles of Association?

- ❖ Amount of shares, capital, value and type of shares.
- ❖ Rules regarding issue of shares and debentures.
- ❖ Manner of transfer of shares.
- ❖ Declaration of dividends.
- ❖ Borrowing powers of the company.
- ❖ Seal of the company.

## 3. What is meant by Prospectus?

*Meaning:*

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

*Contents:*

- ☛ The name, addresses and occupation of directors and managing directors.
- ☛ The number and classes of shares and debentures issued.
- ☛ Particulars about the directors, secretaries and the treasurers and their remuneration.
- ☛ The amount for the minimum subscription.
- ☛ The estimated amount of preliminary expenses.
- ☛ Name and address of the auditors, bankers and solicitors of the company.

## 4. What is meant by Multi National Company?

- ➔ It operates in more than one country
- ➔ Carries out production, marketing and research activities on international Scale in those countries.
- ➔ Seeks to maximize 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.*

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

**i). Holding Companies:**

- ☛ As per Section 2(87) “subsidiary company” in relation to any other company means a company in which the holding company.
- ☛ Controls the composition of the Board of Directors.
- ☛ Exercises or controls more than one-half of the total share capital either at its own.

**ii). Subsidiary Companies:**

- ☛ In relation to any other company means a company in which the holding company.
- ☛ Controls the composition of the Board of Directors.
- ☛ Exercises or controls more than one-half of the total share capital either at its own together with one or more.

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## CHAPTER – 7

## CO-OPERATIVE ORGANIZATION

**I. CHOOSE THE BEST ANSWER:**

1. Membership in a Co-operative organization is :  
 (a) Not open to all                      (b) Selective                      (c) Open to all                      (d) None of them
2. Co-operative fails because of-----  
 (a) Unlimited membership                      (b) Cash trading  
 (c) Mismanagement                      (d) Loss-making
3. All Co-operatives are established with  
 (a) Philanthropic motive                      (b) Service Motive  
 (c) Profit motive                      (d) Reform motive
4. Consumers Co-operation was first successful in-----  
 (a) England                      (b) USA                      (c) Swiss                      (d) India
5. Rochdale Society of equitable pioneers was started by-----  
 (a) Robert Owen                      (b) H.C. Calvert                      (c) Talmaki                      (d) Lambert

**II. VERY SHORT ANSWER QUESTIONS****1. What do you mean by cooperative organization?**

A cooperative is a private business organization that is owned and controlled by the people.

**2. Define cooperatives.**

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

- Sir Horace Plunkett

**3. What is Credit co-operatives?**

Cooperative credit societies are those formed for the purpose of providing short-term financial help to their members

**4. Is low taxes possible in Cooperative society?**

A when various farmers in a village farmers in a village pool their land together and agree to treat the pooled piece of land

**6. Who are Rochdale Pioneers?**

- ✧ In 1844 England, Robert Owen was the formed a consumer's cooperative society with 28 workers as members, called "Rochdale Society of Equitable Pioneers".
- ✧ He is the father of co-operative movement.

## II. SHORT ANSWER QUESTIONS:

### 1. What are the disadvantages of Cooperatives?

#### i. Limited funds

- \* Co-operative societies have limited membership.
- \* The principle of one-man one-vote and limited dividends also.

#### ii. Lack of secrecy

- \* Business secrets cannot be maintained in cooperatives.
- \* Because all members are aware of the activities of the enterprise.

#### iii. Limited scope

- \* Co-operative societies cannot be introduced in all industries.
- \* Their scope is limited to only certain areas of enterprise.

### 2. Write a note on Housing cooperatives.

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

### 3. What is meant by Producers cooperative society?

- Υ Producer cooperatives are established and operated by producers.
- Υ To help increase marketing possibilities and production efficiency.
- Υ They are organized to process, market, and distribute their own products.
- Υ *Examples: Cooperative weavers' societies, Cooperative match factories.*

### 4. Write a note on cooperative forming societies.

- ⤴ When various farmers in a village pool their land together.
- ⤴ Purchase the necessary inputs for the cultivation, and market the crops jointly.
- ⤴ One member-one-vote is principle.

### 5. Write a note on industrial cooperatives.

- ✕ It is organized by small scale producers.
- ✕ Its undertakings are a useful means of developing small scale and cottage industries.
- ✕ It is very useful in obtaining raw materials in improving the quality of products.

## 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 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.

**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 conduct with 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 organization enters into agreements with other organizations.

**v. Education, Training, and Information”**

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

**2. What are the advantages of 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

**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.

**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

**iv. 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.

**v. Each for all and all for each:**

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

**3. What are the types of Cooperative society?****i). Consumers Cooperatives:**

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

**ii). Producers Cooperatives:**

- ✿ Producer cooperatives are established and operated by producers.

- ❁ To help increase marketing possibilities and production efficiency.
- ❁ Example, Cooperative weavers' societies, Cooperative carpenting units, Cooperative match factories.

### iii). Marketing Cooperatives:

- ❁ Its associations of small producers formed for the purpose of marketing their produce.
- ❁ To perform certain marketing functions such as grading, warehousing, advertising etc.,

### iv). Credit Cooperatives:

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

### v). Housing Cooperatives:

- ❁ To provide residential accommodation to their members on ownership basis or on rent.
- ❁ People who intend to build houses of their own join together and form housing societies.
- ❁ These societies advance loans to members, repayable over a period of 15 to 20 years.

## 4. Write a note on Consumer cooperative society.

- ❁ Its organized by consumers that want to achieve better prices or quality in the goods or services they purchase.
- ❁ They also supply essential commodities through Public Distribution System (PDS).
- ❁ Nationally, the most widely used cooperative form is the credit union, with some 90 million members.
- ❁ Credit unions are essentially cooperatives of people that use banking services.
- ❁ Example: Students' cooperative stores, Cooperative provision stores and supermarkets

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

- ☉ Yes, misuse of funds is possible in co-operatives.
- ☉ If the members of the managing committee are corrupt, they can swindle the funds of the cooperative society.
- ☉ Many cooperative societies have been faced financial problems and closed down because of corruption and misuse funds.

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## CHAPTER- 8

### MULTINATIONAL CORPORATIONS

#### I. CHOOSE THE BEST ANSWER:

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

- (a) is beyond the control of any government      (b) is one of the top 200.firms in the world  
(c) owns companies in more than one country      (d) All the above

2. Centralized control in MNC's implies control exercised by  
 (a) Branches (b) Subsidiaries (c) Headquarters (d) Parliament
3. Enterprises operating in several countries but managed from one country is termed as  
 (a) Government company (b) Multinational company  
 (c) Private company (d) Joint Venture
3. Dispersal of decision making power to branches/ affiliates/subsidiaries by head office represent -----  
 (a) Centralization (b) Decentralization (c) Power (d) Integration
4. Coca-Cola company is an example of -----  
 (a) MNC (b) Government company (c) Joint Venture (d) Public company

## 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.

- ❖ Its products and services of good quality at low cost.
- ❖ MNCs help to improve the standard of living of people of host countries.

### 3. Give two examples of MNC.

- ✱ Bata Corporation – Bata India
- ✱ Sony Corporation - Sony India
- ✱ Suzuki - Maruthi Suzuki

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

- ♣ Philips - Dutch Company
- ♣ Coco Cola Company – America Company
- ♣ IBM – America Company

## II. SHORT 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 and service at lower cost.
- ❖ It gains cost advantage and sells its products and services of good quality at low cost.
- ❖ This is not available to smaller companies which operate at regional level.

#### ii. 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.



### iii. Improvement in Standard of Living

- ✱ By providing super quality products and services, MNCs help to improve the standard of living of people of host countries.

## 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.
- ✱ Domestic industries cannot face challenges posed by MNCs.
- ✱ Many domestic industries have to wind up, as a result of threat from MNCs.

### ii. Deprivation of Job Opportunity of Local People

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

### iii. Culture

- ✱ MNCs tend to promote alien culture in host country to sell their products.
- ✱ They make people forget about their own cultural heritage.
- ✱ In India, e.g. MNCs have created a taste for synthetic food, soft drinks etc.

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## CHAPTER- 9

### GOVERNMENT ORGANIZATION

#### I. CHOOSE THE BEST ANSWER:

1. The share capital of the government company must not be less than  
(a) 49%                      (b) 51%                      (c) 50%                      (d) 25%
2. Airport Authority of India is a public enterprise. Identify the form of organization  
(a) Statutory Corporations                      (b) Departmental Undertakings  
(c) Multi-National Corporations                      (d) State Owned Company
3. The oldest form of organization in public sector  
(a) Public Sector Undertakings                      (b) Departmental Undertakings  
(c) Multi-National Corporations                      (d) Statutory Corporation
4. A Government company purchases shares in the name of  
(a) Prime Minister                      (b) President  
(c) Chief Justice of India                      (d) State Chief Minister
5. The primary objective of the state enterprises is to -----  
(a) Earn profit                      (b) Provide Employment  
(c) Serve the People                      (d) All the Above

#### II. VERY SHORT ANSWER QUESTIONS

##### 1. State the different types of public sectors enterprises.

- ❖ Food Corporation of India – New Delhi

- ❖ Tourism Corporation of India – New Delhi
- ❖ ONGC – New Delhi

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

- ➔ It is easy to set up a departmental undertaking.
- ➔ Department undertakings can maintain secrecy in their working.

**3. Give two examples for each of the following:**

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

- ➔ Private Sector Enterprise - Vibro, Reliance
- ➔ Global enterprises - Philips, Co Cola Corporation
- ➔ Public enterprises - Coal India Ltd, Steel Authority of India Ltd

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

- Hindustan Aeronautical Ltd
- Bharat Dynamix Ltd

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

- ✧ Hindustan Aeronautical Ltd
- ✧ Bharat Dynamix Ltd

**II. SHORT ANSWER QUESTIONS:**

**1. List the areas where the state or central ownership is a preferred form of business organization.**

**Justify your choice of areas.**

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

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

**i). Departmental Undertaking**

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

**ii). Public Corporation**

- ✧ It is form of public enterprise which is created as an autonomous unit, by a special Act of the Parliament.
- ✧ It is created by a Statute. It is also known as a statutory corporation.
- ✧ Examples: Life Insurance Corporation of India, the Indian Airlines, the Air India International,

**iii). Government Company**

- “Any company in which not less than 51% of the paid-up share capital is held by the Central Government or State Government or partly by the Central Government and partly by State Governments.

- Section 2(45) of the Companies Act, 2013

- *Examples: Food Corporation of India, ONGC.*

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

- |                                       |                             |
|---------------------------------------|-----------------------------|
| ✧ Indian railways                     | – Departmental undertakings |
| ✧ Indian Post and telegraph           | – Departmental undertakings |
| ✧ Bharat Heavy Electricals Limited    | – Government Company        |
| ✧ Life Insurance Corporation of India | – Statutory Corporation     |
| ✧ State Trading Corporation           | – Statutory Corporation     |

**4. Define Departmental undertakings.**

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

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

- ♥ Any company in which not less than 51% of the paid-up share capital is held by the Central Government or State Government or partly by the Central Government and partly by State Governments.

- Section 2(45) of the Companies Act, 2013

- ♥ *Examples: Food Corporation of India, ONGC.*

**IV. Long Answer Questions:****1. What are the advantages and disadvantages of Departmental undertaking?****a). ADVANTAGES:****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 defense and atomic power cannot be better managed other than government departments.

- ☉ Department undertakings can maintain secrecy in their working.

#### iv. Lesser Burden of Tax on Public:

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

#### v. Instrument of Social Change:

- ✿ Government can promote economic and social justice through departmental undertakings.
- ✿ It can be used by the Government, as an instrument of social change.

### b). DISADVANTAGES

#### i. Red-tapism:

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

#### ii. Incidence of Additional Taxation:

- ☹ Losses incurred by a departmental enterprise are met out of the treasury.
- ☹ This very often necessitates additional taxation the burden of which falls on the common man.

#### iii. Lack of Competition:

- ✿ Civil Servants are given control of these undertakings who may not have business outlook or commercial experience.
- ✿ So, they run the undertaking in their own fashion without considering the sovereignty of the consumers.

#### iv. Casual Approach to Work:

- ✿ As officers of a departmental undertaking are subject to frequent transfers; they develop a sense of casual approach to work.
- ✿ As a result, the operational efficiency of the undertaking suffers a lot.

#### v. Government Interference:

- ✿ There is an excessive government interference and control in department organization.
- ✿ These undertakings are not given freedom to decide their own policies.
- ✿ Centralized control leads to delay in action.

## 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.
- ➔ The Act defines its powers, objectives, functions and relations with the ministry and the Parliament.

#### ii. Separate Legal Entity:

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

**iii. Capital Provided by the Government:**

- ✿ The capital of a public corporation is provided by the Government or by agencies controlled by the government.
- ✿ However, many public corporations have also begun to raise money from the capital market.

**iv. Financial Autonomy:**

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

**v. Management by Board of Directors:**

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

**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.
- ✿ However, the Central Government may direct that any of the provisions of the Companies Act shall not apply to a Government company or shall apply with certain modifications.

**ii. Executive Decision of Government:**

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

**iii. Separate Legal Entity:**

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

**iv). Own Staff:**

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

**v). Free from Procedural Controls:**

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

**4. What are the advantages and disadvantages of Public corporation?****A). ADVANTAGES****i. Bold Management due to Operational Autonomy:**

- ✧ A public corporation enjoys internal operational autonomy; as it is free from Governmental control.
- ✧ It can, therefore, run in a businesslike manner.

**ii. Legislative Control:**

- ☉ Affairs of a public corporation are subject to scrutiny by Committees of Parliament or State Legislature.
- ☉ The Press also keeps a watchful eye on the working of a public corporation.

**iii). Qualified and Contented Staff:**

- ⚙ Public corporation offers attractive service conditions to its staff.
- ⚙ As such it is able to attract qualified staff. Because of qualified and contented staff, industrial relations problems are not much severe.
- ⚙ Staff has a motivation to work hard for the corporation.

**iv. Tailor-Made Statute:**

- ⚙ The special Act, by which a public corporation is created, can be tailor-made to meet the specific needs of the public corporation.
- ⚙ So that the corporation can function in the best manner to achieve its objectives.

**v). Not affected by Political Changes:**

- ⚙ Being a distinct legal entity, a public corporation is not much affected by political changes.
- ⚙ It can maintain continuity of policy and operations.

**B). DISADVANTAGES:****i. Autonomy and Flexibility, Only in Theory:**

- ☉ Autonomy and flexibility advantages of a public corporation exist only in theory.
- ☉ In practice, there is a lot of interference in the working of a public corporation by ministers, government officers and other politicians.

**ii. Misuse of Monopolistic Power:**

- ⚙ Public corporations often enjoy monopoly in their field of operation.
- ⚙ As such, on the one hand they are indifferent to consumer needs and problems; and on the other hand, often do not hesitate to exploit consumers.

**iii. Rigid Constitution:**

- ★ The constitution of a public corporation is very rigid.
- ★ Hence, a public corporation could not be flexible in its operations.

**iv). Low Managerial Efficiency**

- ⚙ Quite often civil servants, who do not possess management knowledge and skills, are appointed by the government on the
- ⚙ Board of Directors, of a public corporation.

**v. Problem of Passing a Special Act:**

- ❖ A public corporation cannot be formed without passing a special Act; which is a time consuming and difficult process.
- ❖ Hence, the scope for setting up public corporations is very restricted.

## 5. What are the features of Departmental organization? (Any 5)

### i. Ultimate Responsibility:

- ✪ The ultimate responsibility for the management of a departmental undertaking lies with the minister concerned; who is responsible to the Parliament or State Legislature for the affairs of the departmental undertaking.
- ✪ The minister, in turn, delegates his authority downwards to various other management levels, in the departmental undertaking.

### ii. Governmental Financing:

- ✪ The departmental undertaking is financed through annual budget appropriations by the Parliament or the State Legislature.
- ✪ The revenues of the undertaking are paid into the government treasury.

### iii. Accounting and Audit:

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

### iv. Managed by Civil Servants:

- ✪ The departmental undertaking is managed by civil servants, who are subject to same service conditions as applicable to civil servants of the Government.

### v. Sovereign Immunity:

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

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## CHAPTER – 10

### RESERVE BANK OF INDIA

### I. CHOOSE THE BEST ANSWER:

1. Which bank has the power to issue Bank notes?  
 (a) Central Bank    (b) Commercial Bank    (c) Co-operative Bank    (d) Foreign Bank
2. The Central Bank of India is  
 (a) PNB    (b) SBI    (c) ICICI    (d) RBI
3. The Reserve Bank of India commenced its operations from April 1,  
 (a) 1936    (b) 1935    (c) 1934    (d) 1933
4. Bankers are not only dealers of money but also leaders in  
 (a) Economic Development    (b) Trade Development  
 (c) Industry Development    (d) Service Development



5. Which of the following is not a function of a Central Bank?

- (a) Guiding and regulating the Banking system of a Country
- (b) Deal with general public
- (c) Acts essentially as government banker
- (d) Maintains deposit accounts of all other banks

## II. VERY SHORT ANSWER QUESTIONS

1. What are the services included in Service businesses?

- Education
- Medical
- Hospital

2. Write the meaning of 'Bank.'

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

3. Briefly explain about Central Bank.

- ♣ Every nation has one central bank.
- ♣ It is owned by the Government of the country.
- ♣ Central banks are known by different names in different countries.

## II. SHORT ANSWER QUESTIONS:

1. Mention the importance of banking services.

- ❖ It plays a vital role by providing the money.
- ❖ The word Bank, normally refers to commercial bank.
- ❖ Central Bank is the most important one among them.
- ❖ Every nation has one central bank. It is owned by the Government of the country.
- ❖ In India the Reserve Bank of India (RBI) is the central bank.

2. Explain the origin of RBI.

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

3. Who are the persons involved in RBI administration?

- One Governor and Four Deputy Governor

- Ten Directors from various fields
- Two Government Officials
- Four Directors – One each local boards.

#### IV. Long Answer Questions

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

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

- ✱ **Leadership and Supervisory Functions**
- ✱ **Traditional Functions and**
- ✱ **Promotional Functions.**

##### 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.
- ⊙ Such functions get prominence in current scenario.
  - ➔ India's Representative in World Financial Institutions
  - ➔ Regulator and Supervisor of Indian Banking System
  - ➔ Monetary Authority
  - ➔ Closely Monitoring Economic Parameters
  - ➔ Promptly Responding to New Challenges

##### B. Traditional Functions

- ✱ Banker and Financial Advisor to the Government
- ✱ Monopoly of Note Issue
- ✱ Banker's Bank
- ✱ Controller of Credit and Liquidity

##### C. Promotional Functions

The RBI performs a wide range of promotional functions to support national objectives.

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

##### 2. Explain the organizational structure of RBI.

- ✱ The head office of the RBI is situated in Mumbai. This central office has 33 departments in 2017.
- ✱ It has four zonal offices in Mumbai, Delhi, Calcutta and Chennai functioning under local boards with deputy governors as their heads.

- ✪ It also has 19 regional offices and 11 sub-offices (2017).
- ✪ The RBI is governed by a Central Board of Directors.
- ✪ The 21 member board is appointed by the Government of India. It consists of;
  - ✪ One governor and four deputy governors appointed for a period of four years,
  - ✪ Ten directors from various fields
  - ✪ Two Government officials
  - ✪ Four directors - one each from local boards.

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## CHAPTER – 11

### TYPES OF BANK

#### I. CHOOSE THE BEST ANSWER:

1. Which bank is not a Industrial Bank?  
 (a) ICICI                      (b) HSBC                      (c) SIDBI                      (d) IDBI
2. The Local Area Banks are promoting.  
 (a) Rural Savings                      (b) Business Savings  
 (c) Industrial development                      (d) Agricultural development
3. Foreign banks are begun their operation since  
 (a) 1978                      (b) 1979                      (c) 1980                      (d) 1981

#### II. VERY SHORT ANSWER QUESTIONS

##### 1. Give the meaning of Commercial Banks

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

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

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

##### 3. Briefly explain about Correspondent Banks?

- It is a retail agents engaged by banks for providing banking services at low cost in locations other than a bank branch/ATM.
- They are not separate banks recognized by the RBI.

##### 4. What are Foreign Banks?

Banks which have registered office in a foreign country and branches in India are called foreign banks.

## II. SHORT ANSWER QUESTIONS:

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

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

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

- ✳ The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank.
- ✳ They are established as low cost institutions in rural areas.
- ✳ Their objective is to develop rural economy.
- ✳ As on 31.3.2016, there were 56 RRBs in India with 14,494 branches.
- ✳ They are regulated and supervised by NABARD.
- *Examples:* Pallavan Grama Bank – Salem, Tamil Nadu.  
Pandiyan Grama Bank – Thirumangalam, Madurai

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

- ✧ All cooperative banks in India are owned by its customers who are farmers, small traders and others.
- ✧ Cooperative banks in India are either urban based or rural based.
- ✧ All cooperative banks in Tamil Nadu are registered under Tamil Nadu Cooperative Societies Act 1983.
- ✧ They are controlled by both RBI and the State Government.
- ✧ Their objective is providing service to rural and agricultural development.

## IV. Long Answer Questions

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

#### i). Commercial Banks

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

#### *Examples:*

- ➔ State Bank of India
- ➔ Karur Vysa Bank
- ➔ Standard Chartered Bank

#### ii). Development Banks

- ✧ Huge finance required for investment, expansion and modernization of big industries and others are granted by a separate type of banks called development Banks.
- ✧ They are also called industrial banks. The objective of development banks is not profit.

**Examples:**

- Industrial Finance Corporation of India – IFCI
- Small Industries Development Bank of India –SIDBI
- MUDRA bank (for the development of micro industries)

**iii). 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.
- ⚙ All cooperative banks in Tamil Nadu are registered under Tamil Nadu Cooperative Societies Act 1983.

**Examples:**

- Tamil Nadu State Apex Cooperative Bank – Head Office, Chennai
- Madurai District Central Cooperative Bank Ltd.
- Batlagundu Cooperative Urban Bank Ltd. Dindigul District

**iv). Foreign Banks**

- ⦿ Banks which have registered office in a foreign country and branches in India are called foreign banks.
- ⦿ These banks open their offices in big cities and port towns only.
- ⦿ In 2017, there were 42 Foreign Banks in India and all of them were scheduled banks.

**Examples:**

- Bank of America – The USA
- Barclays Bank – The UK
- Deutsche Bank – Germany

**v). Regional Rural Banks – RRBs**

- ⚙ The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank.
- ⚙ They are established as low cost institutions in rural areas. As on 31.3.2016, there were 56 RRBs in India with 14,494 branches.

**Examples:**

- Pallavan Grama Bank, Salem, Tamil Nadu
- Pandian Grama Bank, Thirumangalam, Madurai District, Tamil Nadu
- Paduvai Bharathiyar Grama Bank, Villianur, Puducherry.

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

- ✧ Any bank in which not less than 51 percent of shares are owned by the Government are called Government banks or public sector commercial banks.
- ✧ All of them are joint stock company type banks.

**Examples:**

IFCI, SIDBI, EXIM Bank, etc.

- All banking companies owned by private people are called private sector commercial banks.
- All cooperative banks are owned by its members from the public.
- This is called nationalization of banks. 6 more banks were nationalized in 1980.
- Today there only 19 nationalized banks (2017).

Examples:

**i). Nationalized Banks:**

Indian bank, Indian Overseas Bank, Oriental Bank of Commerce.

**ii). Public Sector Banks:**

State Bank of India, IDBI Bank Ltd. And all nationalized banks

**iii). Private Sector Banks:**

Lakshmi Vila Bank, Karur Vysya Bank, Kotak Mahindra bank.

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**CHAPTER – 12****FUNCTIONS OF COMMERCIAL BANKS****I. CHOOSE THE BEST ANSWER:**

1. Electronic banking can be done through  
 (a) Computers (b) Mobile Phones (c) ATM (d) All of the above
2. Minimum how much amount can be transferred through RTGS?  
 (a) Any Amount (b) Rs. 50,000 (c) Rs. 2 Lakhs (d) Rs. 5 Lakhs
3. The largest commercial bank of India.  
 (a) ICICI (b) SBI (c) PNB (d) RBI
4. In which kind of account, it is compulsory to deposit certain amount at certain time?  
 (a) Savings Deposit (b) Fixed Deposit  
 (c) Current Deposit (d) Recurring Deposit
5. Which of the following is not a type of advance provided by the commercial bank?  
 (a) Collection and Supplying Business information (b) Overdraft  
 (c) Cash Credit (d) Discounting of Bills

**II. VERY SHORT ANSWER QUESTIONS****1. What is Mobile Banking?**

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.

**3. Briefly explain the term - Credit card.**

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

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

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

**5. Write a note on - ECS.**

ECS was launched by the RBI in 1995. It is an electronic method of fund transfer from a bank to another bank.

**II. SHORT ANSWER QUESTIONS:****1. What is E-Banking?**

- Y Banking through internet is called E-Internet banking.
- Y It can also be called as electronic banking.
- Y To performing banking operation through internet by using computer and mobile phone.
- Y This can done by a customer from home or office of the world and all 24 hours of 7 days.
- Y Money banks have their own websites.

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

- ✱ It was launched by the RBI in 2013.
- ✱ The transactions are settled on real time basis.
- ✱ RTGS facility is available between 9.00 am to 4.30 pm on weekdays.
- ✱ RTGS transfers are not allowed on Sundays and bank holidays.
- ✱ Minimum limit for RTGS transaction is 2 lakhs.

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

- ♥ Competition in the banking industry has reduced their profits.
- ♥ The commercial banks started identifying and offering new and diversified financial service.
- ♥ They are purely other than banking service.
- ♥ Providing all such banking and other financial service is also called universal banking.
- ♥ Such service are:
  - ❖ Bank Assurance
  - ❖ Merchant Banking
  - ❖ Retail Banking
  - ❖ Housing Finance
  - ❖ Mutual Fund



**4. Explain - NEFT.**

- This was launched by the RBI in 2005.
- 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.
- NEFT transfers are not allowed on Sundays and bank holidays.
- IFSC is provided by IDRBT Hyderabad.

**5. What do you mean by Core Banking Solutions?**

- ☞ 'CORE' stands for 'Centralized Online Real time Exchange'.
- ☞ In the centralized server of the bank, all the details of all the accounts of all the branches of the bank are available.
- ☞ Similarly anyone can deposit money into the account.
- ☞ Entry of the transactions is recorded in the centralized server of the bank in real time and can be seen in all the branches of the bank.
- ☞ This facility is called core banking solutions.

**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:

- ☞ **Accepting Deposits**
- ☞ **Granting Loans and Advances.**
- ☞ **Creation of Credit**

**I. 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.
- ❖ Broadly deposit accounts can be classified into demand deposits and time deposits.

**A. Demand Deposits**

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

- ✱ Savings Deposits
- ✱ Current Deposits

**B. Time Deposits**

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

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

**II. Granting Loans and Advances**

- ◎ It is lending money in order to earn interest income.

- ⊙ Banks provide specific sums as loans which are repayable along with interest.
- ⊙ Advances are credit facilities provided for short period to business community.
- ⊙ But both terms are used interchangeably.

#### i). Advances

- ▲ Overdraft
- ▲ Cash Credit
- ▲ Discounting of Bills

#### ii). Loans

Generally commercial banks provide the following loans.

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

### III. Creation of Credit

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

## 2. Explain the various secondary functions of commercial banks.

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

### I. Agency Functions

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

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

### II. General utility functions

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

They are as follows.

- ✿ Issue of demand drafts and bankers' Cheques
- ✿ Accepting Bills of Exchange on behalf of Customers
- ✿ Safety lockers
- ✿ Letters of credit
- ✿ Travelers cheques
- ✿ Gift cheques
- ✿ Reference service

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## CHAPTER – 13

### WAREHOUSING

#### I. CHOOSE THE BEST ANSWER:

1. Warehouse removes the hindrance of \_\_\_\_\_.  
 (a) Person (b) Time (c) Risk (d) Knowledge
2. A warehouse holds goods as a \_\_\_\_\_ centre.  
 (a) Marketing (b) Sorting (c) Distribution (d) Selling
3. \_\_\_\_\_ can be given as collateral security for getting financial assistance from bank.  
 (a) Dock warrant (b) Warehouse Receipt  
 (c) Dock Receipt (d) Warehouse warrant
4. \_\_\_\_\_ warehouses are licensed by the government and are permitted to accept the goods on bond.  
 (a) Bonded (b) Private (c) Cold storage (d) Co-operative
5. \_\_\_\_\_ warehouses are used for storing perishable goods like fruits, vegetables etc.  
 (a) Bonded (b) Private (c) Cold storage (d) Co-operative
6. The document which authorizes to deliver the goods either in part or full is called \_\_\_\_\_.  
 (a) Warehouse warrant (b) Dock receipt (c) Dock warrant (d) None of these
7. The Institutional warehouse started with the support of Government is \_\_\_\_\_.  
 (a) Bonded warehouse (b) Public warehouse  
 (c) Food corporation of India (d) Customs bonded

#### II. VERY SHORT ANSWER QUESTIONS

##### 1. What is Warehouse?

It is a place where goods are stored for future use and act as distribution centers.

##### 2. List the various types of Warehouses.

→ Private Warehouses

- Government Warehouses
- Public Warehouses
- Co-operative Warehouses
- General Warehouses

### 3. Give any three functions of Warehouses.

- ☞ Storage
- ☞ Price Stabilization
- ☞ Equalization of Demand and Supply

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

S.No	Warehouse Warrant	Warehouse Receipt
1	It is a document of title of goods	It is not a document of title of goods
2	It is not only an acknowledgement	It is only an acknowledgement
3	It can be transferred to others.	It cannot be transferred to others

### 5. Give a note on FCI.

- ☆ It provides storage facilities for food grains.
- ☆ Food Corporation of India also hires storage capacity from other sources.

## II. SHORT ANSWER QUESTIONS:

### 1. Differentiate the warehouse warrant from the warehouse receipt.

S.No	Warehouse Warrant	Warehouse Receipt
1	It is a document of title goods	It is not a document of title of goods
2	It can be negotiated	It cannot be negotiated
3	It can be given a collateral security.	It cannot be given a collateral security.

### 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.

#### a. Private Warehouses

- ☀ It's built and owned by private business enterprises in order to store the products produced by them.

- \* They are exclusively for their use and are not meant for other manufacturing or business units.

#### **b. Government Warehouses**

- They are created and operated by the Government to implement the programmes of the Government.
- Their services mostly available to government only.
- A detailed study on all the above warehouses is given at the end of this chapter.

#### **c. Public Warehouse**

- \* It is open for public at large.
- \* They may be owned by an individual or some agency.
- \* These warehouses operate as per the rules and regulations formed by the Government.

#### **d. Co-operative Warehouses**

- ♣ There are warehouses owned and managed by the marketing co-operative societies.
- ♣ They are set up to provide warehousing facilities to their members.
- ♣ Example, National Co-operative Development Corporation (NCDC).

#### **e. General Warehouses**

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

## **2. Explain the advantages of warehousing functions.**

#### **(i) Storage**

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

#### **(ii) Price Stabilization**

- ☆ Warehousing ensures price stabilization by supplying goods as and when demanded.
- ☆ It acts as a cushion to absorb price fluctuations.
- ☆ It supplies the goods at more or less uniform prices throughout the year.

#### **(iii) Equalization of Demand and Supply**

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

#### **(iv) Business Finance**

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

#### **(v) Risk bearing**

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

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## CHAPTER – 14

**TRANSPORTATION****I. CHOOSE THE BEST ANSWER:**

1. Transport removes the hindrance of  
 a. Time                      b. Place                      c. Person                      d. Knowledge
2. Air consignment note is prepared in \_\_\_\_ forms  
 a. One                      b. Two                      c. Three                      d. Four
3. \_\_\_\_ is a document acknowledging the receipt of goods by a carrier  
 a. Waybill                      b. Consignment note                      c. Charter                      d. Bill of lading
4. Which is the fastest means of transport?  
 a. Rail                      b. Road                      c. Sea                      d. Air

**II. VERY SHORT ANSWER QUESTIONS****1. Define Transport.**

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

**- K.K. Sexena**

**2. State any two services rendered by transport.**

- It increases the efficiency of production
- It aids to economic growth
- It develops and expands the market

**3. Write any two advantages of water transport.**

- ❖ It is considered as the cheapest mode of transport.
- ❖ It is most suitable for heavy loads.
- ❖ There is lesser pollution in water transport.

**II. SHORT ANSWER QUESTIONS:****1. What is bill of lading?**

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

**2. What is charter party?**

- ✕ Goods are to be consigned in large quantity, it is advantageous to hire the whole part of the ship.
- ✕ The document through which this contract is made is known as 'Charter Party'.

- ✕ 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.

##### A. Surface Transport

→ Transport of people and goods by land vehicles is known as Surface transport.

→ It is also called as 'Land Transport'.

- Pack Animals - horse, mule, donkey camel, and elephant etc.,
- Bullock Carts
- Road Transport
- Motor Lorries and Buses
- Tramways
- Railway Transport

##### B. Water Transport

★ "Water is a free gift of nature".

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

★ Water Transports are of two types

- Inland Waterways
- Ocean Waterways

##### C. Air Transport

★ Air transport is the fastest and the costliest mode of transport.

★ Commercial air transport is now one of the most prominent modes of overseas transport.

★ The modern air transport has its growth with the invention of Airplane by Wright Brothers.

★ Air transport is a form of travel in vehicles such as helicopters, hot air balloons, blimps, gliders, hang gliding, parachuting, airplanes, jets or anything else that can sustain flight.

##### 2. Discuss the advantages of transport.

- ◎ It increases the efficiency of production
- ◎ It develops and expands the market
- ◎ It aids to economic growth
- ◎ It helps in specialization and mass Production
- ◎ It encourages innovations in product production and designing

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## CHAPTER – 15

## INSURANCE

**I. CHOOSE THE BEST ANSWER:**

- The basic principle of insurance is \_\_\_\_\_.  
 (a) Insurable Interest (b) Co-operation (c) Subrogation (d) Proximate cause
- \_\_\_\_\_ is not a type of general insurance.  
 (a) Marine Insurance (b) Life Insurance (c) Fidelity Insurance (d) Fire Insurance
- Which of the following is not a function of insurance?  
 (a) Lending Funds (b) Risk Sharing (c) Capital formation (d) Protection of life
- Which of the following is not applicable in insurance contract?  
 (a) Unilateral Contract (b) Conditional Contract  
 (c) Indemnity Contract (d) Inter-personal contract
- Which of the following is a type of marine insurance?  
 (a) Money back (b) Mediclaim (c) Hull insurance (d) Cargo insurance

**II. VERY SHORT ANSWER QUESTIONS****1. List any five important types of policies.**

- ▲ Whole Life Policy
- ▲ Joint Life Policy
- ▲ 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.

**III. 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.

### 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

#### i). Life Insurance

- Life Insurance may be defined as a contract in which the insurance company called insurer undertakes to insure the life of a person called assured in exchange of a sum of money called premium which may be paid in one lump sum or monthly, quarterly, half yearly or yearly.
- Life insurance policies are of many kinds. Some of them are given below:
  - ➔ Whole Life Policy
  - ➔ Joint Life Policy (JLP)
  - ➔ Annuity Policy

#### ii). Non – Life Insurance

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

#### iii). Fire Insurance

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

#### iv). Marine Insurance

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

#### v). Health Insurance

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

#### vi). Miscellaneous Insurance

- ★ Motor Vehicle Insurance
- ★ Burglary Insurance
- ★ Cattle Insurance
- ★ Crop Insurance
- ★ Sports Insurance

## 2. Explain the principles of insurance.

### i). Utmost Good Faith

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

### ii). Insurable Interest

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

### iii). Indemnity

- ✿ Indemnity means security or compensation against loss or damages.
- ✿ This principle ensures that the insured does not make any profit out of the insurance.
- ✿ This principle of indemnity is applicable to property insurance alone.

### iv). Causa Proxima

- ✕ The word 'Causa proxima' means 'nearest cause'.
- ✕ The direct, the most dominant and most effective cause of loss should be taken into consideration.
- ✕ The insurance company is not liable for there mote cause.

### v). Contribution

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

## 3. Discuss the causes of risk.

### (i) Natural Causes

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

### (ii) Human Causes

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

### (iii) Economic Causes

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

### (iv) Other Causes

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

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## CHAPTER – 16

**EMERGING SERVICE BUSINESS IN INDIA****I. CHOOSE THE BEST ANSWER:**

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

**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 provides an opportunity to expand business.
- ❏ Eliminating the risk of starting a new business.

**3. Who is a factor?**

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

**4. Define outsourcing**

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

**5. What is need for outsourcing?**

- ♥ To focus on key function
- ♥ Benefit of specialization
- ♥ Cost cutting
- ♥ Economic growth and development
- ♥ Increasing profit

**6. State the importance of BPO.**

- ✧ Transferring Non Core Activities to Outsiders
- ✧ Outsourcing Involves Contracting
- ✧ Operational Efficiency through Outsourcing
- ✧ Improved Customers Satisfaction

**7. What are the benefits of KPO?**

- ⤴ Ultimate use of knowledge
- ⤴ Reduction of expenditure
- ⤴ Usage of best skills
- ⤴ Outsources reduces risk

**8. Define Logistics.**

‘Design and operation of the physical, managerial, and informational systems needed to allow goods to overcome time and space.’

**- Logistics Management**

**9. What is the need for Logistics?**

- ★ Logistics implies that an integrated view of number of different activities and functions may be required.
- ★ All firms are viewed as a collection of primary and secondary activities.

**10. Write about the importance of Logistics.**

- ▲ It is also important for creating visibility into a company's supply chain.
- ▲ It can use this information for process optimization and avoiding potential distributions.

**11. What are the types of Logistics Applications?**

- ✧ Decision-wise
- ✧ Actor-wise
- ✧ Inbound logistics
- ✧ Outbound logistics

**12. What do you mean by e-commerce?**

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

**II. SHORT ANSWER QUESTIONS:****1. What are the types of franchising?****a) Product/ trade name franchising:**

- ✧ In this type, the franchisee exclusively deals with a manufacture's product.
- ✧ Examples include Kidzee, French Loaf outlets, Bharat Petroleum bunks, Patanjali products, etc.

**b) Business format franchising:**

- ✧ When a franchisor awards rights covering all business aspects as a complete business package to the franchisee it is called as business format franchising.
- ✧ Examples:  
McDonald's, Pizza Hut. KFC, Hot breads, Titan, Color plus, Zodiac, Lakmé beauty parlour.

**2. List the steps in factoring process.**

- ✧ Goods are sold on credit basis, an invoice is raised and a copy of the same is sent to the factor.
- ✧ The debt amount due to the firm is transferred to the factor through assignment.
- ✧ On the due date, the amount is collected by the factor from the customer.

**3. Describe the benefits of Logistics.**

- ♥ Decrease in Costly Errors
- ♥ Inventory Management
- ♥ Increased Customer Service
- ♥ Organizational control
- ♥ Scalability and speed.

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

S.No	Logistics Management	Supply Chain Management
1	It deals with the efficient management of a static gap between Demand.	To identify the dynamic nature of the value creation itself such as responsiveness, quality and design.

2	It focus on cost minimization.	It focuses on profit maximization
3	It is supply driven.	It is demand driven.

#### 5. 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
- \* Electronic and software products could be downloaded immediately after purchase through e – commerce mode.
- \* 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 characteristics of franchising.

- ✿ Franchise relationship is based on an agreement which lays down terms and conditions of this relationship.
- ✿ The term of franchise may be for 5 years or more. The franchise agreement may be renewed with the mutual consent of the parties.
- ✿ The franchisee agrees to pay specified royalty to the franchiser, as per terms of the franchise agreement.
- ✿ The franchiser virtually sets up the business for the franchisee.
- ✿ Franchiser may give training to personnel working in the franchisee's organization.

##### 2. Elucidate the features of factoring.

###### i) Maintenance of book-debts

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

###### ii) Credit coverage

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

###### iii) Cash advances

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

###### iv) Collection service

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

###### v) 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.



### 3. Describe the benefits of Outsourcing.

#### i). Focusing on Core Activities

- ♣ Companies can focus on their core competence, a few areas where the company has distinct capability.
- ♣ The rest of the activities can be outsourced to outside agencies.

#### ii). To Fill up Economic Development

- ⦿ Outsourcing stimulates entrepreneurship, encourages employment opportunities, expands exports, enables tremendous growth of the economy.

#### iii). Encourages Employment Opportunities

- ⦿ Companies that are outsourcing their non core activities provide chances for other small business units to take up the activities.
- ⦿ This paves way for more job opportunities and new employment avenues.

#### iv). Reduction in Investment

- ⊙ Companies through outsourcing avail the services of outsiders which in turn reduces the investment requirements.
- ⊙ The amount so available can be utilized productively and this increases the profits.

#### v). Quest for Excellence

- ⦿ Outsourcing enables the firms to pursue excellence in two ways namely excelling themselves in the activities they do and excel outsiders by extending their capabilities through contracting out.

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

#### i). Business Process Outsourcing (BPO)

##### Meaning

- ★ BPO means getting contractual services of external companies or group of companies to complete special work or process of a company.
- ★ For example call centers, data entry etc.

##### Need for BPO

- ⦿ To focus on key function
- ⦿ Benefit of efficiency
- ⦿ Cost cutting
- ⦿ Economic growth and development
- ⦿ Increasing profit
- ⦿ Catering to the dynamic demand

#### ii). Knowledge Process of Outsourcing (KPO)

##### Meaning

- ⦿ KPO refers to outsourcing of Knowledge based Process.

- ✳ It means obtaining high end knowledge work from outside the organization in order to run the business successfully and in cost effective manner.
- ✳ In short KPO firms get knowledge related, information related, work done from outside firm and it involves high value work carried highly skilled staff.

#### Need for KPO

- ➡ Usage of best skills
- ➡ Ultimate use of knowledge
- ➡ Reduction of expenditure
- ➡ Special focus on principal functions
- ➡ Outsources reduces risk

### 5. Write a note on e-commerce models.

#### i). Business to Customers (B 2 C)

- ♣ This is fastest growing segment in e – commerce space.
- ♣ Under this model, business concern sells directly to consumers

#### ii). Business to Business (B 2 B)

- ⊙ Under the model, business concerns transact with one another through internet.
- ⊙ For instance, Snapdeal, Flipkart, Alibaba, Indiamart, Trade India. Com etc.

#### iii). Consumer to Consumer (C 2 C)

- ❖ Under this model, customers sell directly to other customers through online classified advertisement or through auction or through mobile or through market places.

#### iv). Customer to Business (C 2 B)

- ✳ This model is reverse to auction model.
- ✳ Products like automobile, electronic items furniture.
- ✳ Example Naukri.com, and Monster.com are examples of Indian companies

#### v). Business to Government (B 2 G)

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

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## CHAPTER – 17

### SOCIAL RESPONSIBILITY OF BUSINESS

#### I. CHOOSE THE BEST ANSWER:

1. Which type of responsibility gives the benefit to the society out of its profits earned?
 

(a) Legal	(b) Ethical	(c) Moral	(d) Economic
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2. The stakeholders of socially responsible business units are except  
(a) Share Holders (b) Employees (c) Government (d) Company
3. Assuming Social Responsibility of business helps the enterprise in \_\_\_\_  
(a) Increase Profit (b) Decrease Profit (c) Sustainability (d) Equilibrium
4. Socially responsible business provides goods at  
(a) High Price (b) Low Price (c) Reasonable price (d) Moderate Price
5. Social responsibility towards employees represents the following except  
(a) Reasonable remuneration (b) Proper facilities (c) Social security (d) Exploitation

## II. VERY SHORT ANSWER QUESTIONS:

### 1. What do you mean by Social Responsibility?

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

### 2. Give the meaning of Social Power?

- Businessmen have considerable social power.
- Their decisions and actions affect the lives and fortunes of the society.
- Businessmen should assume social obligations commensurate with their social power.

### 3. What is a free enterprise?

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

### 4. Who are called Stakeholders?

- ✓ A business organisation is a coalition of several interest groups or stakeholders.
- ✓ Example – shareholders, customers, employees, suppliers, etc.
- ✓ Business should, therefore, work for the interest of all of them rather than for the benefit of shareholders.

### 5. What is ethical Responsibility?

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

## III. SHORT ANSWER QUESTIONS:

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

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

- Peter F. Drucker

## 2. Why you do think Social Responsibility of business is needed?

Business is expected to be responsible to society due to the following reasons

- ☆ *Self-Interest*
- ☆ *Creation of Society*
- ☆ *Social Power*
- ☆ *Image in the Society*
- ☆ *Public Awareness*
- ☆ *Free Enterprise*

### i). Creation of Society

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

### ii). Social Power:

- ➔ Businessmen have considerable social power.
- ➔ Their decisions and actions affect the lives and fortunes of the society.
- ➔ Businessmen should assume social obligations commensurate with their social power.

### iii). Free Enterprise:

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

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

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

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

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

## 5. List the kinds of Social Responsibility.

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

## IV. LONG ANSWER QUESTIONS

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

#### Meaning:

- ✕ Every businessman earns prosperity from business and should give back the benefit of this prosperity to society.
- ✕ This benefit is the moral responsibility of business.

#### Need for Social Responsibility:

##### i). Creation of Society

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

##### ii). Social Power:

- ☉ Businessmen have considerable social power.
- ☉ Their decisions and actions affect the lives and fortunes of the society.
- ☉ Businessmen should assume social obligations commensurate with their social power.

##### iii). Free Enterprise:

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

##### iv). Image in the Society

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

##### v). Law and Order

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

### 2. Illustrate with examples the arguments for Social Responsibility?

#### i). Protection of Stakeholders Interest

- ✓ A business organisation is a coalition of several interest groups or stakeholders.
- ✓ Example – shareholders, customers, employees, suppliers, etc.
- ✓ Business should, therefore, work for the interest of all of them rather than for the benefit of shareholders.

**ii). Promotion of Society**

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

**iii). Assessment of Social Impact**

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

**iv). Organized Social Power**

- ♣ Large corporations have acquired tremendous social power through their multifarious operations.
- ♣ Social power may be misused in the absence of social responsibility.
- ♣ There should be a equilibrium between social power and social responsibility.

**v). Public Opinion**

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

**3. What are the arguments against Social Responsibility?****i). Dilution of Economic Goals**

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

**ii). Lack of Social Skill**

- ➔ Business organizations and their managers are not familiar with social affairs.
- ➔ There are special social service organizations such as Government and Non-Governmental
- ➔ Agencies which can better deal with social problems.

**iii). Burden on Consumers**

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

**iv). Responsibility without Power**

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

**v). Misuse of Responsibilities**

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

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

##### i). Responsibility towards Owners

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

##### ii). Responsibility towards Investors

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

##### iii). Responsibility towards Employees

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

##### iv). Responsibility towards Suppliers

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

##### v). Responsibility towards Customers

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

#### 5. How do you classify Social Responsibility?

##### i). *Economic Responsibility*

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

##### ii). *Legal Responsibility*

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

##### iii). *Ethical Responsibility*

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

##### iv). *Discretionary Responsibility*

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



## CHAPTER- 18

### BUSINESS ETHICS AND CORPORATE GOVERNANCE

#### I. CHOOSE THE BEST ANSWER:

1. Which of the following helps in maximizing sale of Goods to society?
 

(a) Business Success	(b) Laws and regulations
(c) Ethics	(d) Profession at management
2. Ethics is important for
 

(a) Top Management	(b) Middle Level Managers
(c) Non-Managerial Employees	(d) All of them
3. Which of the following does not ensure effective ethical practices in a Business enterprise.
 

(a) Publication of a code	(b) Involvement of Employees
(c) Establishment of compliance mechanism	(d) None of them
4. The role of top management is to guide the entire organisation towards
 

(a) General Behaviour	(b) Organisational behavior
(c) Ethical upright behavior	(d) Individual behavior
5. The ethical conduct of employees leading to standard practices results in
 

(a) Good behavior	(b) Bad behavior	(c) Ethical behavior	(d) Correct decision making
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#### II. VERY SHORT ANSWER QUESTIONS:

##### 1. What is ethics?

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

##### 2. What do you mean by code?

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

##### 3. State two ways by which ethics influences behavior?

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

##### 4. What is need for Corporate Governance?

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

##### 5. What are MNCs?

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

### III. SHORT ANSWER QUESTIONS

#### 1. Define business ethics.

‘A business that is in the making of only money is a poor kind of business.’

- Hendry Ford,

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

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

#### 3. Why is ethics necessary in business?

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

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

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

#### 5. Illustrate with example the working of a MNC

- ✧ India ranks 10<sup>th</sup> in the world in factory output
- ✧ The manufacturing sector accounts for 27.6% GDP.
- ✧ Example: IBM, Microsoft, Pepsi Co, Sony, Vodafone, Reebok, Nokia.

### IV. LONG ANSWER QUESTIONS:

#### 1. Explain the different key elements of business ethics.

##### i). Top Management Commitment

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

##### ii). Publication of a “Code”

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

##### iii). Establishment of Compliance Mechanism

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

##### iv). Involving Employees at All Levels

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

### v). Measuring Results

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

## 2. Describe the code of business ethics.

### *Meaning:*

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

### *The code of business ethics can include the following:*

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

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

- ✧ Good corporate governance enables corporate success and economic development.
- ✧ Ensures stable growth of organizations.
- ✧ Aligns the interests of various stakeholders.
- ✧ Improves investors' confidence and enables raising of capital.
- ✧ Reduces the cost of capital for companies.
- ✧ Improves the image of the company.

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

### i). ASIA:

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

### USA

- The Council of Institutional Investors, Corporate Governance Policies state that at least 2/3rd of the directors should be independent.
- The Nominating and Corporate Governance Committee is one of the three standing committees, along with Audit Committee and Compensation Committee, required by NYSE, to be composed entirely of Independent Directors.
- *Formulation of various Committees:*
  - ➔ Audit Committee,

- Advisory Committee,
- Nomination and Remuneration Committee,
- Stakeholder Relationship Committee

#### JAPAN

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

#### The UK

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

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

- ✱ To invest considerable portion of their assets internationally.
- ✱ They are huge business organisation.
- ✱ It engages in international production and operates plants in a number of countries.
- ✱ They take managerial decisions on a global perspective.
- ✱ They produce in one or a few countries and sell them in most of the countries.

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## CHAPTER – 19

### SOURCES OF BUSINESS FINANCE

#### I. CHOOSE THE BEST ANSWER:

1. What is defined as the provision of money at the time when it is required?  
(a) Finance                      (b) Bank              (c) Cash Management              (d) None of these
2. Internal sources of Capital are those that are \_\_\_\_  
(a) generated through outsiders such as suppliers  
(b) generated through loans from commercial banks  
(c) generated through loans from commercial banks  
(d) generated within the business
3. Debenture holders are entitled to fixed rate of  
(a) Dividend              (b) Profits              (c) Interest              (d) Ratios
4. Public deposits are the deposits that are raised directly from \_\_\_\_  
(a) The public              (b) The directors              (c) The auditors              (d) The owners
5. Equity shareholders are the \_\_\_\_\_ of a company  
(a) Creditors              (b) Owners              (c) Debtors              (d) Employees
6. Funds required for purchasing current assets is an example for \_\_\_\_  
(a) Fixed Capital requirement              (b) Ploughing back of profit  
(c) Working capital requirement              (d) Lease financing

7. Which one of the following holder is given voting rights?

- (a) Debentures                      (b) Preference Shares                      (c) Equity shares                      (d) Bonds

8. It may be wise to finance Fixed Assets through \_\_\_\_\_

- (a) Creditors                      (b) Long term debts                      (c) Bank overdraft                      (d) Bills discounting

## II. VERY SHORT ANSWER QUESTIONS:

1) Write a short note on debentures.

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

2) What do you mean by public deposits?

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

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

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

4) Name any two internal sources of business finance.

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

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

- ⊗ Cost
- ⊗ Risk Factor
- ⊗ Control
- ⊗ Storage of Development

## III. SHORT ANSWER QUESTIONS:

1. Define Business finance.

“The finance function is the process of acquiring and utilizing funds by a business.”

– R.C. Osborn

2. What is pledge?

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

- ➔ If the debtor fails to refund the loan, creditor (banker) will auction the article pawned and adjust the outstanding loan from the sale proceeds.

### 3. List sources of raising long-term and short-term finance.

#### Long Term Finance

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

#### Short Term Finance

- i). Loans and Advances
- ii). Bank Overdraft
- iii). Clean Loan
- iv). Trade Credit
- v). Pledge

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

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

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

- ✿ Short term finance usually refers to finance required by a firm for a period of one year.
- ✿ It is also called as working capital finance.
- ✿ It is required for investments in working capital or current assets like cash and bank balance, accounts receivables and etc.
- ✿ Working capital is required for purchase of raw material, salary and wages of payment, operating expenses.

## IV. LONG ANSWER QUESTIONS:

### 1. List out the various sources of financing.

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

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

#### A). On the basis of Period:

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

#### i). Short Term Finance

- i). Loans and Advances
- ii). Bank Overdraft
- iii). Clean Loan
- iv). Trade Credit
- v). Pledge
- vi). Discounting Bills of Exchange
- vii). Hypothecation
- viii). Loans against the securities
- ix). Mortgage
- x). Commercial Paper

#### ii). Medium Term Finance

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

#### iii). Long Term Finance

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

**B). On the Basis of Ownership****i). Owners Fund****ii). Borrower Funds****i). Owners Fund**

i). Equity Shares

ii). Retained Earnings

**ii). Borrower Funds:**

i). Loan from banks

ii). Loan from financial institution

iii). Debentures

iv). Public Deposits

v). Lease Financing

**C). On the Basis of Generation of Funds**

i). Internal Source

ii). External Source

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

- ✧ It refers to an arrangement whereby the bank allows the customers.
- ✧ To overdraw the required amount from its current deposit account within a specified limit.
- ✧ Interest is charged only on the amount actually overdrawn.

**ii). Trade Credit**

- Purchaser need not pay money immediately after the purchase.
- Such credit appears in balance sheet as Trade Creditors, or Accounts Payable.
- Trade credit is very simple and convenient method of raising short term finance.

**iii). Mortgage**

- ✧ This is a type of loan taken from the bank by lodging with the banker title deeds of immovable assets like land and building.
- ✧ Business people raise loans by depositing the title deeds of the properties with the bank.

**iv). Loans against the Securities**

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

**v). Clean Loan**

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

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

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



**b). Lease Financing:**

- ✧ Lease financing denotes procurement of assets through lease.
- ✧ In such a situation Leasing is helping them to a greater extent.
- ✧ Leasing here refers to the owning of an asset by any individual which will be given for use to another needy business enterprise on a rental basis.

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

- ➞ The profits reinvested in the business come under owner's funds.
- ➞ These funds are not required to be refunded during the life time of business enterprise.

**b). Borrowed Funds**

- ✓ The term 'borrowed funds' denotes the funds raised through loans or borrowings.
- ✓ For example debentures, loans from banks and financial institutions, public deposits, trade credit, lease financing, commercial papers, factoring, etc. represent borrowed funds.
- ✓ These borrowed sources of funds provide specific period before which the fund is to be returned.

**5. Explain any four personal investment avenues.****i). Public Provident Fund (PPF)**

- It is the safest long-term investment option for the investors in India.
- It is totally tax free.
- PPF account can be opened in bank or post office.

**ii). Mutual Funds**

- ★ An individual investor who wants to invest in equities and bond with a balance of risk and return generally can invest in mutual funds.
- ★ Nowadays people invest in stock markets through a mutual fund.
- ★ Systematic investment plan is one of the best investment options in India.

**iii). Real Estate Investment**

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

**iv). Unit Linked Insurance Plans (ULIP)**

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

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***"It always seems impossible until it's done"***

**CHAPTER – 20****INTERNATIONAL FINANCE****I. CHOOSE THE BEST ANSWER:**

1. An instrument representing ownership interest in securities of a Foreign Issuer is called.  
(a) an ownership certificate (b) a depository receipt  
(c) an ownership receipt (d) None of the above
2. Issuance of DRs is based on the increase of demand in the  
(a) International Market (b) Local Market  
(c) Existing Shareholders (d) All of the above
3. ADRs are issued in \_\_\_\_  
(a) Canada (b) China (c) India (d) USA
4. Depository receipts that are traded in an International market other than the United States are  
(a) Global depository receipts (b) International Depository receipts  
(c) Open market depository receipts (d) Special Drawing Rights.
5. \_\_\_\_ bond is a special type of bond issued in the currency other than the home currency.  
(a) Government Bonds (b) Foreign Currency Convertible Bond  
(c) Corporate bonds (d) Investment Bonds

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

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

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

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

**4) What is an American Depository Receipt (ADR)?**

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

### 5) What is a Foreign Currency Convertible Bond?

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

### III. SHORT ANSWER QUESTIONS:

#### 1. Explain the importance of international finance.

- ★ It helps in comparing the inflation rates and getting an idea about investing in international debt securities.
- ★ It helps in ascertaining the economic status of the various countries and in judging the foreign market.
- ★ It helps in understanding the basics of international organisations and maintaining the balance among them.

#### 2. What are Foreign Currency Convertible Bonds?

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

#### 3. Explain any three disadvantages of FDI

##### i). Exploiting Natural Resources:

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

##### ii). Heavy Outflow of capital

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

##### iii). Exploiting Cheap Labour

- ★ Foreign enterprises employ cheap labour force at a lower pay in developing countries.
- ★ They do not employ local people for higher posts in the management.
- ★ Thus they are stated to exploit the labour in developing countries.

#### 4. State any three features of ADR.

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

#### 5. State any three features of GDR.

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

#### IV. LONG ANSWER QUESTIONS:

##### 1. Describe the importance of international finance?

- ❖ It helps in comparing the inflation rates and getting an idea about investing in international debt securities.
- ❖ It helps in ascertaining the economic status of the various countries and in judging the foreign market.
- ❖ International Financial Reporting System facilitates comparison of financial statements made by various countries.
- ❖ It helps in understanding the basics of international organisations and maintaining the balance among them.
- ❖ International finance organisations such as IMF, World Bank etc. mediate and resolve financial disputes among member nations.

##### 2. Distinguish between GDR and ADR.

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

##### 3. State any five features of FCCB.

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

##### 4. Explain any five advantages of FDI.

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

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

###### ii). Help in Addressing BOP Crisis:

- ☆ FDI provides inflow of foreign exchange resources into a country.

- ✧ This helps the country to solve adverse balance of payment position.

### iii). Faster Economic Development

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

### iv). Generating Employment Opportunities

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

### v). Encouraging Competition in Host Countries

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

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## CHAPTER- 21

### MICRO, SMALL AND MEDIUM ENTERPRISES AND SELF HELP GROUPS

#### I. CHOOSE THE BEST ANSWER:

1. MSMED Act was enacted in the year  
(a) 2004                      (b) 2007                      (c) 2006                      (d) 2008
2. MSMEs are important for the Nation's Economy because they significantly contribute to  
(a) Industrial Production    (b) Exports                      (c) Employment              (d) All the above
3. Self help groups convert the savings into a common fund known as \_\_\_\_  
(a) Common Fund    (b) Groups corpus Fund    (c) Group Fund              (d) None of the above
4. There are \_\_\_\_\_ distinct modes of Credit to self help groups  
(a) 1                              (b) 2                              (c) 3                              (d) 4
5. Investment Limit of a Micro Enterprise under manufacturing sector does not exceed \_\_\_\_ lakhs.  
(a) 10                              (b) 20                              (c) 25                              (d) 50

#### II. VERY SHORT ANSWER QUESTIONS:

##### 1. What do you understand by the manufacturing enterprises?

- ✧ They refer to the enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the Industries Development and Regulation Act, 1951.
- ✧ The manufacturing enterprises are defined in terms of investment in plant and machinery.

##### 2. Give some examples for micro enterprises.

- ♣ Clay Pot Making

- ♣ Fruits and Vegetable Vendors
- ♣ Repair Shops
- ♣ Cottage Industries
- ♣ Small Industries,
- ♣ Handlooms

### 3. What is the aim of NEEDS?

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

### 4. What is a Self Help Group?

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

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

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

## III. SHORT ANSWER QUESTIONS:

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

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

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

- ★ Textiles
- ★ Leather Products
- ★ Chemicals
- ★ Plastics
- ★ Garments
- ★ Jewellery

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

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

#### 4. Explain any three features of Self Help Group.

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

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

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

### IV. LONG ANSWER QUESTIONS:

#### 1. What is the definition of MSME?

##### *Meaning:*

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

##### *a). Classification of Manufacturing Enterprises:*

##### **i). Micro Enterprises:**

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

##### **ii). Small Enterprises**

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

##### **iii). Medium Enterprises:**

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

##### *b). Classification of Service Enterprises:*

##### **i). Micro Enterprises:**

If the investment in equipment does not Rs. 10 lakhs.

##### **ii). Small Enterprises**

If investment in equipment is more than Rs. 10 lakhs but not exceed Rs. 2 crores.

##### **iii). Medium Enterprises:**

If investment in equipment is more than Rs.2 crores but not exceed Rs. 5 crores.

#### 2. Explain the advantages of MSMEs?

##### **i). Employment Potential**

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



**ii). Low Production Cost**

- ✱ MSMEs do not require skilled labourers or professionals to run the organisation.
- ✱ It employs cheap labour and thus minimizes the overhead.
- ✱ These units are more cost efficient than large scale units, thus facilitates production of goods at low cost.

**iii). Low Investment**

- ✱ MSMEs do not require a huge capital to start the unit.
- ✱ It can employ locally available resources within the reach of the owner.
- ✱ They help to perfect and promote traditional family skills and handicrafts.

**iv). Quick Decision Making**

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

**v). Supplementary Role**

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

**3. What are the objectives of SHGs?**

- ✱ Focusing on empowerment of women.
- ✱ Saving people from the clutches of money lenders
- ✱ Building capacity of women and to enable them to participate in generating activities.
- ✱ Promoting entrepreneurship skills among women.
- ✱ Elevating the economic standard of the member's families.

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**CHAPTER – 22****TYPES OF TRADE****I. CHOOSE THE BEST ANSWER:**

1. The purchase of goods from Foreign Country is called \_\_\_\_\_.  
 (a) Import                      (b) Export                      (c) Entrepot                      (d) Re-export
2. When goods are Imported for the purpose of Export is called as \_\_\_\_\_.  
 (a) Foreign Trade    (b) Home Trade    (c) Entrepot Trade    (d) Trade
3. \_\_\_\_\_ acts as a connecting link between the producer and the consumer.  
 (a) Trade                      (b) Industry                      (c) Commerce                      (d) Business
4. The aim of home trade is \_\_\_\_\_.  
 (a) To raise the standard of living    (b) To provide the essential goods and services economically  
 (c) To raise the National Income    (d) To obtain all types of goods

5. Internal trade can be classified in to \_\_\_\_\_ categories.

(a) Three

(b) Four

(c) Two

(d) Five

## II. VERY SHORT ANSWER QUESTIONS:

### 1. Give the meaning of Trade?

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

### 2. What is Internal Trade?

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

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

This is example for Import Trade.

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

This is example for Export Trade

### 5. How do you classify Trade?

- ➞ Internal trade
- ➞ External trade

### 6. What are the classifications of internal trade?

- ✱ Wholesale Trade
- ✱ Retail Trade

### 7. What is import trade?

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

### 8. Explain the meaning of Entrepot trade.

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

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

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

This is a Multinational Trade

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

In India the currency used for Indian Rupees.

## III. SHORT ANSWER QUESTIONS:

### 1. What is the classification of foreign trade?

- i). Import Trade

Import trade means buying goods from a foreign country for domestic use.

**ii). Export Trade**

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

**iii). Entrepot Trade**

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

**2. Give two examples of Entrepot trade.**

- ♣ Indian diamond merchants in Surat import uncut raw diamonds from South Africa. They cut and polish the diamonds in their units in India and re-export them to the International Diamond Market in Amsterdam.
- ♣ Singapore, Dubai, Hongkong are the largest Entrepot trade centers in the world.

**3. What do you mean by Export trade?**

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

**Examples:**

- ❖ Export of Iron ore from India to Japan
  - ❖ Selling of Tea from India to England.
  - ❖ Export of jasmine flowers from Madurai to Singapore
- ➞ Export trade is necessary to sell domestic surplus goods, to make better utilization of resources.
  - ➞ To earn foreign exchange, to increase national income.
  - ➞ To generate employment and to increase Government revenue

**4. What is Wholesale trade?**

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

**5. State the meaning of Retail trade?**

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

**6. Name any three retail traders in your locality?**

- ✱ Saravana medical Centers, Dindigul
- ✱ Udhayam Super Market, Dindigul
- ✱ Sangeetha Mobile Store, Dinndigul
- ✱ Vijaya Medical Center, Dindigul

**7. State the main aim of trade?**

- ★ The buying and selling of goods and services consists of trade.
- ★ The essence of trade is to make goods and services available to those persons who need them and are able and willing to pay for them.
- ★ Trade acts as an intermediary in the exchange of commodities between the producer and consumer.

#### IV. LONG ANSWER QUESTIONS:

##### 1. What are the features of Internal trade?

- ✱ The buying and selling of goods takes place within the boundaries of the same country.
- ✱ Payment for goods and services is made in the currency of the home country.
- ✱ It involves transactions between the producers, consumers and the middlemen.
- ✱ In home trade the laws prevailing in that country only have to be followed.
- ✱ The goods must be a part of domestic production.

##### 2. Explain briefly the different types of Foreign trade?

###### i). Import Trade

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

###### ii). Export Trade

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

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

###### iii). Entrepot Trade

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

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### CHAPTER – 23

#### CHANNELS OF DISTRIBUTION

##### I. CHOOSE THE BEST ANSWER:

1. Trade middlemen who acts as a link wholesaler and customer refers to a  
(a) Producer (b) Broker (c) retailer (d) customer
2. Who is the First middlemen in the channel of distribution?  
(a) Wholesaler (b) Producer (c) Retailer (d) customer
3. \_\_\_\_\_ buys goods from the producer and sell it to the retailer.  
(a) Manufacturer (b) Wholesaler (c) Retailer (d) Consumers
4. \_\_\_\_\_ are agents who merely bring the buyer and the seller into contact.  
(a) broker (b) Commission agent (c) selling Agent (d) Stockiest
5. Merchant middlemen can be classified into \_\_\_\_\_ categories  
(a) three (b) two (c) Five (d) Four

6. Wholesaler deals in \_\_\_\_\_ quantity of goods.

- (a) Small (b) Large (c) Medium (d) Limited

7. A \_\_\_\_\_ is a mercantile agent to whom goods are entrusted for sale by a principal and take possession of the goods, but does not obtain ownership.

- (a) Broker (b) Factor (c) warehouse keeper (d) Commission agent

## II. VERY SHORT ANSWER QUESTIONS:

### 1. Who is a middleman?

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

### 2. Define Wholesaler.

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

– Evelyn Thomas

### 3. Define Retailer.

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

- S. Evelyn Thomas

### 4. Who is a broker?

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

### 5. What are the classifications of the merchant middlemen?

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

### 6. Who are the mercantile agents?

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

## III. SHORT ANSWER QUESTIONS:

### 1. What do you understand by channels of distribution?

- ✧ A channel is the route through which the goods are passed on to the ultimate consumer.

- ✧ There are direct channels of distribution without middlemen.
- ✧ Middlemen help in the flow of goods towards the crores of consumers.

## 2. Who is a factor?

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

## 3. Explain the types of mercantile agents.

### i). Broker:

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

### ii). Factor:

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

### iii). Commission Agents:

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

## 4. Explain any three characteristics of wholesalers.

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

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

### i). Economies in Large Scale:

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

### ii). Assistance in Distribution:

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

### iii). Warehousing Facility:

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

**IV. LONG ANSWER QUESTIONS:****1. What are the characteristics of retailers?**

- ➔ Retailer generally involves dealing in a variety of items.
- ➔ 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 but a direct link with the consumers.

**2. What are the functions of Wholesalers?****a. Collection of Goods:**

Wholesaler collects the goods from manufacturers or producers in bulk.

**b. Storage of Goods:**

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

**c. Distribution:**

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

**d. Financing:**

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

**e. Risk Taking:**

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

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

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

**ii). Storage:**

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

**iii). Selling:**

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

**iv). Grading and Packing:**

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



**v). Risk-bearing:**

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

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

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

**ii). Meeting the Requirements:**

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

**iii). Introduction of New Products:**

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

**iv). Price Stability:**

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

**v). Economy in Transport:**

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

**5. What are the services rendered by retailers to wholesalers?****i). Help in Distribution:**

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

**ii). Market Information:**

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

**iii). Large Scale Operation**

- The manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities.
- This enables them to operate on, at relatively large scale and thereby fully concentrate on their other activities

**iv). Help in Promotion**

- ❖ Retailers participate in the promotional activities carried by manufacturers and wholesalers such as short time offers, coupons, free gifts, sales contests, etc.
- ❖ Retailers help in promoting the sale of the products.

**v). Personal Attention:**

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

**6. Explain the services rendered to consumers by Retailers.****i). Regular Supply of Goods:**

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

**ii). New Products Information:**

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

**iii). Credit Facilities:**

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

**iv). Wide Selection:**

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

**v). Miscellaneous Services**

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

**7. What are the factors affecting a channel of distribution?****i). Market Characteristics**

- The size of the market for the goods is a major factor while selecting the route for distribution of products.
- Distribution in large geographical area requires more middlemen.

**ii). Number of Consumers**

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

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

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

**iv). Services Required along with the Product**

- Machinery or equipment which need to be installed and demonstrated should be sold with shorter channel.

- Technical services can be provided by manufacturers or by their trained technicians.
- Therefore a shorter channel is preferred for sales.

**v). Life Cycle of the Product**

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



## CHAPTER – 24

### RETAILING

#### I. CHOOSE THE BEST ANSWER:

1. Retailers deal in \_\_\_\_\_ quantity of goods.  
 (a) Small                      (b) Large                      (c) Medium                      (d) Limited
2. Small scale fixed retailers include  
 (a) General stores              (b) Pedlars                      (c) Cheap Jacks              (d) Hawkers
3. Small shops which deal in a particular line of products are called as  
 (a) Market Traders              (b) Single line stores              (c) Sugar Market              (d) Street stalls
4. \_\_\_\_\_ mobile traders who deal in low priced articles with no fixed place of business  
 (a) Shopping mall              (b) Super Markets              (c) Street Stalls              (d) Itinerant traders

#### II. VERY SHORT ANSWER QUESTIONS

##### 1. What is Retailing?

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

##### 2. State the meaning of multiple shops.

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

##### 3. Mention any two benefits of Vending Machines.

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

##### 4. What are specialty stores?

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

#### III. SHORT ANSWER QUESTIONS

**1. Explain the features of general stores.**

- ♣ General Stores sell a wide variety of products under one roof, most commonly found in a local market.
- ♣ Residential areas to satisfy the day-to-day needs of the customers residing in nearby localities.
- ♣ They remain open for long hours at convenient timings.
- ♣ Its provide credit facilities to their regular customers.
- ♣ For example, a provision store deals in grocery, bread, butter, toothpaste, soaps, washing powder, soft drinks, confectionery, stationery, cosmetics, etc.

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

S.No	Basis	Hire Purchase System	Installment System
01	Contract of Sale	It is not a contract of sale	It is a contract of sale
02	Transfer of ownership	Ownership passes to the buyer only after the final installment has been paid	Ownership passes to the buyer as soon as he has paid the first installment
03	Rights of buyer	The buyer cannot hire, sell or pledge the articles bought.	The buyer can do anything with the article.
04	Action on default	The seller can take back the goods in case of default by buyer in payment of any installment	The seller can take back the goods the goods even if there is default in payment of any installment

**3. Explain the characteristics of super markets.**

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

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

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

**IV. LONG ANSWER QUESTIONS****1. State the features of Departmental stores.****i). Large Size:**

- ➔ A department is a large scale retail showroom requiring a large capital investment by forming a joint stock company managed by a board of directors.
- ➔ There is a Managing Director assisted by a general manager and several department managers.

**ii). Wide Choice:**

- ✓ It acts as a universal provider of a wide range of products from Pin to Car.
- ✓ To satisfy all the expected human needs under one roof

### iii). Departmentally organized

- Goods offered for sale are classified into various departments.
- Each department specializes in one line of product and operates as a separate unit.

### iv). Facilities provided:

- ★ It provides a number of facilities and services to the customers.
- ★ Such as restaurant, rest rooms, recreation, packing, frees home delivery, parking, etc.

### v). Centralized purchasing

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

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

### *Meaning:*

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

### *Merits:*

- ✧ The capital of a cooperative store is raised by issuing shares to members.
- ✧ The management of the store is democratic and entrusted to an elected managing committee, where one man one vote is the rule.
- ✧ The cooperative stores are very famous in Tamilnadu.
- ✧ For example, Kamadhenu and Chinthamani cooperative supermarkets in Chennai, Karpagam in Vellore, etc.

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

### **Meaning**

- ✧ The Chamber of Commerce and Industry is an association of business and industrial houses like merchants, financiers, manufacturers, etc. in a locality, region, or state.
- ✧ The main objective of these associations is to promote and protect the interest and goals of Indian commerce and industry.

### **Functions:**

- ➞ They act as national guardians of trade, commerce and industry.
- ➞ They act as a catalyst in strengthening the internal trade of the country.
- ➞ Interact with Government with regard to formulation and implementation of related policies.

### **Association or Chambers in India**

- ♣ Confederation of Indian Industry (CII)
- ♣ Madras Chamber of Commerce, Chennai.

- ♣ Tamil Nadu Traders Associations.

### Role of Association or Chambers:

#### i). Transportation or inter-state movement of goods

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

#### ii). Harmonization CGST and SGST structure.

#### iii). Marketing of agro products and related issues

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

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

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

#### v). Promoting sound infrastructure

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

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## CHAPTER – 25

### INTERNATIONAL BUSINESS

#### I. CHOOSE THE BEST ANSWER:

1. Movement of goods, services, intellectual property, human assets, technology and so on among the countries.  
(a) International Trade (b) International Business (c) Entrepot Trade (d) Internal Trade
2. Goods are imported for purpose of re-export to another country is termed as \_\_\_\_  
(a) Import Trade (b) Export Trade (c) Entrepot Trade (d) International Trade
3. Movement Of Goods, Services among the Countries  
(a) International Trade (b) International Business (c) Entrepot Trade (d) Internal Trade
4. Selling of Goods from home country to foreign country is called  
(a) Home Trade (b) Entrepot Trade (c) Foreign Trade (d) Joint-venture

#### II. VERY SHORT ANSWER QUESTIONS

##### 1. What do you mean by international business?

- ➞ International business denotes all those business activities which take place beyond the geographical limits of the country.
- ➞ It involves not only the international movements of goods and services.

##### 2. What is meant by Export Trade?

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

### 3. What is meant by Import Trade?

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

### 4. What is meant by Entrepot Trade?

When the firm of country imports goods for the purpose of exporting the same goods to the firms of some other country with or without making any change in the goods meant for export it is known as Entrepot trade

### 5. Give any two reasons for International Business.

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

## III. SHORT ANSWER QUESTIONS

### 1. Describe importance of the external trade to an economy?

#### i). Unequal Distribution of Natural Resources.

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

#### ii). Specialization.

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

#### iii). Cost Benefit.

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

### 2. What is the necessity for Entrepot trade?

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

### 3. What are the limitations of international business?

#### a). Import of Harmful Goods.

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

#### b). Misuse of Natural Resources.



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

**c). Rivalry among the Nations.**

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

## **IV. LONG ANSWER QUESTIONS**

### **1. List out the advantages of international trade**

**i). Geographical Specialization:**

- ❖ Countries across the world differ significantly in terms of natural resources, capital equipment, manpower, technology and land and so on.
- ❖ International business is required to exchange the surplus resources resulting from geographical specialization for deficit resources in other countries

**ii). Economic Development:**

- ✱ International business helps the developing countries greatly in achieving rapid economic development.
- ✱ For example China, India, Brazil and South Korea

**iii). Generation of Employment:**

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

**iv). Higher Standard of Living:**

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

**v). Prospects for Higher Profit:**

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

### **2. Enumerate the disadvantages of international trade**

**a). Inhibition of Growth of Home Industries.**

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

**b). Import of Harmful Goods.**

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

**c). Shortage of Essential Goods in Home Country.**

- ✧ Moreover the export of essential commodities out of the greed of earning more foreign exchange may result in absolute shortage of these goods at home country and people may have to buy these commodities at exorbitant price in the local market.

**d). Misuse of Natural Resources.**

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

**e). Rivalry among the Nations.**

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

**3. Distinguish between internal and international trade**

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

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***“Success is the sum of small efforts, repeated day in and day out ”***

**CHAPTER - 26**

## EXPORT IMPORT PROCEDURES

### I. CHOOSE THE BEST ANSWER:

1. EPC stands for
 

(a) Export Processing Commission	(b) Export Promotion Council
(c) Export Carriage Council	(d) Export Promotion Congress
2. STC is expansion of
 

(a) State Training Centre	(b) State Training Council
(c) State Trading Centre	(d) State Trading Corporation
3. An \_\_\_\_ is a document prepared by the importer and sent to the exporter to buy the goods.
 

(a) Invoice	(b) Indent	(c) Enquiry	(d) Charter party
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4. The \_\_receipt is an acknowledgement of receipt of goods on the ship issued by the Captain.
 

(a) Shipping Bill	(b) Bill of Lading	(c) Mate's Receipt	(d) Consular Invoice
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5. The Exporters appoint the \_\_\_\_\_ agent to fulfill the customs formalities.
 

(a) Clearing Agent	(b) Forwarding Agent	(c) Commission Agent	(d) Factor
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### II. VERY SHORT ANSWER QUESTIONS

#### 1. What is meant by Indent?

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

#### 2. Write any two export promotion institutions.

- ✱ Export Promotion Council
- ✱ State Trading Corporation

#### 3. Mention the types of Indent.

- ✱ Open Indent
- ✱ Closed Indent
- ✱ Confirmatory Indent.

#### 4. What is the Letter of credit?

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

### III. SHORT ANSWER QUESTIONS

#### 1. What are the contents of Indents?

- ✱ Quantity of goods sent
- ✱ Design of goods

- ✱ Price
- ✱ Nature of packing shipment
- ✱ Mode of shipment
- ✱ Period of delivery
- ✱ Mode of payment

## 2. What is meaning of consular invoice?

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

## 3. What is meant Charter Party?

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

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

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

## 5. What is Bill of Lading?

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

## IV. LONG ANSWER QUESTIONS

### 1. What are the procedures relating to Export trade?

#### i). Receiving Trade Enquiry

- In the first place importer requests the exporter to supply the information given right below.
  - ➞ Quantity of goods available.
  - ➞ Price per unit
  - ➞ Terms and conditions of shipment and payment
  - ➞ Probable delivery time

#### ii). Receiving Indent and Sending Confirmation

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

**iii). Arranging Letter of Credit**

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

**iv). Obtaining Importer Exporter Code and RBI code Number**

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

**v). Export Inspection Certificate**

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

**2. Distinguish between Bill of Lading and Charter Party**

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

**3. What are the documents used in Export Trade?****i). Documents Related to Goods:**

- ✱ Indent
- ✱ Certificate of origin
- ✱ Certificate of Inspection

**ii). Documents Related to Shipment**

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

**iii). Documents Related to Payment**

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

✱ Bank Certificate Payment

#### 4. Explain the various functions of Export Trading Houses.

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

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### CHAPTER – 27

#### FACILITATORS OF INTERNATIONAL BUSINESS

##### I. CHOOSE THE BEST ANSWER:

1. General Agreement on Tariff and Trade was signed on  
(a) 30-October-1947 (b) 29-October-1947 (c) 28-October-1947 (d) 26-October-1947
2. WTO was established on  
(a) 1-1-1996 (b) 1-1-1997 (c) 1-1-1995 (d) 1-1-1994
3. The headquarter of WTO is located at  
(a) New York (b) London (c) Geneva (d) Brazil
4. The day to day administration of WTO is entrusted with  
(a) Executive Council (b) General Council (c) Administrative Council (d) General body
5. World bank is located at  
(a) Washington DC (b) New York (c) Tokyo (d) Hongkong

##### II. VERY SHORT ANSWER QUESTIONS:

###### 1. What is WTO?

- The World Trade Organisation (WTO) was established on 1<sup>st</sup> January 1995.
- The GATT was renamed as WTO with some changes.
- WTO has 164 member countries as on 29<sup>th</sup> July 2016.

###### 2. What do you mean by World Bank?

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

###### 3. What is Special Drawing Rights?

- ❖ SDR was created by the IMF in the year 1969 as supplementary international reserve asset.
- ❖ It is described as paper gold

#### 4. What is SAARC?

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

#### 5. What is GATT?

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

### III. SHORT ANSWER QUESTIONS:

#### 1. What is the primary motive of establishment of WTO?

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

#### 2. Name the affiliate of World Bank

- ✱ International Development Association (IDA)
- ✱ International Financial Corporation (IFC)
- ✱ Multinational Investment Guarantee Agency (MIGA)

#### 3. What are the criticisms of World Bank?

##### i). Most Favored Nation Principles

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

##### ii). Failure to Reduce Tariffs on Agriculture

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

##### iii). Neglect of Cultural and Social Factors

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

#### 4. How is the value of SDR determined currently?



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

### **5. Mention the functions of SAARC.**

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

## **IV. LONG ANSWER QUESTIONS:**

### **1. Point out the objectives of WTO**

- ➔ Improving the standard of living of people in member countries
- ➔ Making optimum utilization of world's resources for sustainable development of member countries.
- ➔ Expansion of trade in goods and services

### **2. Write down the functions of WTO.**

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

### **3. Describe the benefits of WTO**

- ❖ WTO is promoting international peace and creating a conducting international trade.
- ❖ It settles the trade disputes amicably among the member countries.
- ❖ It promotes the standard of living of people by increasing their income level from free trades
- ❖ WTO has removed quantitative restrictions and non-tariff barriers.
- ❖ It stimulates economic growth of developing countries by providing them with much needed capital and giving related matters.

### **4. Highlights the functions of IBRD**

- ✧ Assisting reconstruction of war-affected countries
- ✧ Promoting economic growth and balanced growth of international business
- ✧ Promoting infrastructural facilities like energy and transportation, road development, etc. in member countries.
- ✧ Encouraging agricultural and industrial development in developing countries by providing adequate resources
- ✧ Providing resources for promoting sanitation, education, health care and small scale enterprises in member countries

### **5. Write down the functions of IMF**

- ✱ It acts as short term credit institution at the international level.
- ✱ It provides machinery for ordinary adjustments of exchange rates.
- ✱ It promotes economic stability and global growth by encouraging countries adopt sound economic and financial policies.
- ✱ It offers technical assistance and training to help member countries strengthen and implement effective policies.
- ✱ It helps member countries correct their imbalance in balance of payment.

## 6. Explain how far India has benefited from IMF?

### i). Free Convertibility of Indian Rupee:

- ✱ Indian rupee has become independent after the establishment of IMF.
- ✱ Earlier it was linked with pound sterling.
- ✱ Its value is now determined in terms of Gold.
- ✱ Hence it is freely convertible.

### ii). Loan For Development Activities:

- ✱ India got several loan facilities from IMF for its several development projects.

### iii). Ability To Purchase Foreign Currency

- Government of India is able to purchase foreign currencies from time to time to meet the ever growing requirement of development activities.

### iv). Expert Advice

- India used to get expert advice from IMF for solving the economic problems.
- It has given valuable advice to India with regard to financing its 5 year plan.

### v). Financial Assistance during Natural Calamity

- India has got a lot of financial assistance from IMF to solve the economic crises arising from natural calamities like, floods, famine, earthquake, aggressions of Chinese and Pakistan etc.
- It gets technical assistance from IMF.

### vi). Membership in World Bank

- ✱ By virtue of its membership in IMF India could become member in the World Bank.
- ✱ Solve its balance of payments crisis.

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## CHAPTER – 28

### BALANCE OF TRADE AND BALANCE OF PAYMENTS

#### I. CHOOSE THE BEST ANSWER:

1. The Statement which discloses a record of transactions between the resident of one country and resident of Foreign Country.
 

(a) Balance of Payments	(b) Balance of Trade
(c) Statement of receipts and payments	(d) Accounting Statement
2. The balance of Payment Councils Consists of
 

(a) Current Account	(b) Capital Account
(c) Receipts and Payments Account	(d) Both Current Account and Capital Account
3. Foreign Capital long-term loan and Foreign Currency reserve are recorded under
 

(a) Official Capital	(b) Private Capital
(c) Banking Capital	(d) Both private and official Capital
4. The term official capital includes.
 

(a) RBI holdings of foreign currencies	(b) Special drawing rights held by the Government
(c) Both A and B	(d) Foreign Investment
5. Balance of Payment surplus indicates.
 

(a) Exports are more than the Imports	(b) Imports are more than Exports
(c) Exports and Imports are at equilibrium	(d) Exports and Imports are above equilibrium

#### II. VERY SHORT ANSWER QUESTIONS

##### 1. What do you mean by Balance of payments?

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

##### 2. What do you mean by Balance of trade?

✧ Balance of trade denotes the difference between the value of import and the value of export during a year.

✧ If the export of a country exceeds its imports, it shows favorable balance of trade.

##### 3. Define Balance of payments

“The balance of payments for given period is a systematic records of all economic transactions taken place during the period between residents of the reporting countries.”

- International Monetary Fund

##### 4. What is the composition of private capital?

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

**5. Mention the components of banking capital.**

Banking capital includes movement into external financial asset and liabilities commercial and co-operative banks authorized to dealing in foreign exchange

**6. Mention the components of official capital.**

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

**III. SHORT ANSWER QUESTIONS****1. Why is Balance of payment prepared?**

- Balance of payment is the principal tool for analyzing the monetary position of international trade of a country.
- Balance of payments help in framing monetary, fiscal and trade policies of country.
- Government keenly observes balance of payment position of its important trade partners in making policy decisions.
- It reveals whether a country produces enough economic output to pay for its growth.
- It is reported either for every quarter or for a year.

**2. What does Balance of payment disclose?**

- ✱ A Balance of Payment surplus indicates that country's exports are more than its imports and its government and residents are savers.
- ✱ They are in position to have enough capital to pay for its domestic production.
- ✱ As a result it boosts the economic growth in the short term.
- ✱ A Balance of Payment deficit points to the fact that country's import is more than the export.
- ✱ It creates economic development in the short term.

**3. What are the credit items shown in currents accounts?**

- ✱ Goods Export(visible)
- ✱ Invisible Exports
- ✱ Transport service sold abroad
- ✱ Banking service sold abroad
- ✱ Insurance service sold abroad
- ✱ Income received on loan and investment made in foreign countries
- ✱ Expenses incurred by foreign tourists in India

**4. State the components of capital account.**

- ✱ Private Capital
- ✱ Banking Capital
- ✱ Official Capital

#### IV. LONG ANSWER QUESTIONS

##### 1. Write down the structure of capital account

Capital account consists of three components

- ✱ Private Capital
- ✱ Banking Capital
- ✱ Official Capital

###### i). Private Capital

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

###### ii). Banking Capital

Banking capital includes movement into external financial asset and liabilities commercial and co-operative banks authorized to dealing in foreign exchange.

###### iii). Official Capital

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

##### 2. Distinguish balance of payment and balance of trade

S. No	Basis	Balance of Payment	Balance of Trade
01	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
02	Nature of Transactions recorded	It records both the transactions relating to goods and services	It records only transactions relating to merchandise , i.e. goods transactions
03	Capital Transactions	It records capital transactions	It does not record capital transactions
04	Net position	It always remains balanced in the sense that receipt side is made equal to payment side	It may be at favorable or unfavorable or in equilibrium state.
05	Indicator Economic Status	It is true indicator of economic performance of an economy	It is not true indicator of economic prosperity or economic relations of country.

##### 3. Highlight the features of balance of trade.

- ✱ It is a systematic record of all economic transactions between one country and certain other countries of the world

- ★ It is prepared for a period of three months or twelve months, i.e., usually 12 months
- ★ It contains all receipts and payments both visible and invisible
- ★ It includes all economic transactions both recorded on current account and capital account
- ★ Economic transactions are recorded according to double entry principle of book keeping
- ★ . Accordingly receipts are recorded on credit side and payments are recorded on debit side
- ★ It indicates a country's position in foreign trade

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## CHAPTER – 29

### ELEMENTS OF CONTRACTS

#### I. CHOOSE THE BEST ANSWER:

1. An Agreement enforceable by law is a
 

(a) enforceable acceptance
(b) accepted offer
(c) approved promise
(d) contract
2. Every promise and every set of promises forming the consideration for each other, is an
 

(a) agreement
(b) contract
(c) offer
(d) acceptance
3. Void agreement signifies
 

(a) Agreement illegal in nature
(b) Agreement not enforceable by law

(c) Agreement violating legal procedure
(d) Agreement against public policy
4. Acceptance to be valid must be absolute
 

(a) be absolute
(b) be unqualified

(c) both be absolute and unqualified
(d) be conditional
5. A contract with or by a minor is a
 

(a) valid contract
(b) void contract

(c) voidable contract
(d) voidable at the option of either party

#### II. VERY SHORT ANSWER QUESTIONS:

##### 1. What is law?

- ✱ Law means a 'set of rules' which governs our behavior and relating in a civilized society.
- ✱ So there is no need of Law in a uncivilized society.

##### 2. Why should one know law?

- ✱ Society requires peace, harmony, justice, social security and order which is possible only through Laws.
- ✱ Every law has a particular field of activity to regulate and govern.

##### 3. Can a minor enter into a Contract?

No, a minor cannot enter into contract.

#### 4. Who can enter into a Contract?

The Indian Contract Act specifies that every person is competent to contract provided he is of the age of majority according to the law which he is subject to and who is of sound mind.

#### 5. Define Contract?

A “contract” is an agreement enforceable by law. The agreements not enforceable by law are not contracts.

- Indian Contract Act, 1872

### III. SHORT ANSWER QUESTIONS

#### 1. Define Offer

When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other person either to such act or abstinence, he is said to make a proposal.

#### 2. What do you mean by Agreement?

Every promise and set of promises forming consideration for each other is an agreement.

In short, Agreement = Offer + Acceptance.

#### 3. Define a Voidable Contract

An agreement which is enforceable by law at the option of one or more parties but not at the option of the other or others is a voidable contract.

This is the result of coercion, undue influence, fraud and misrepresentation.

#### 4. What do you mean by Revocation?

The revocation mean the withdraw of an offer power of attorney

#### 5. Who is a promisor, promisee?

A promisor – Contract Law – a person who makes a promise

A promisee – Contract Law – a person to whom a promise is made

### IV. LONG ANSWER QUESTIONS

#### 1. Explain the essentials of a Valid Contract

##### i). Offer and Acceptance

There must be two parties to an agreement namely one party making the offer and the other party accepting it.

##### ii). Legal Relationship

- The parties must have the intention to create legal relationship between them.
- An agreement of Social or domestic nature is not at all a contract.

##### iii). Lawful Consideration

- ✪ As per Contract Act under Sec.2 (d) Consideration means something in return.
- ✪ A contract without consideration becomes invalid.



- ✪ It may be in cash or kind or in any form as specified in the act.

#### iv). Lawful Object (Section 23)

- ✪ The object of agreement should be lawful and legal.
- ✪ It must not be immoral, illegal or opposed to public policy.

#### v). Free Consent (Section 13 & 14)

- ☞ Consent of the parties must be free and genuine. Consent means agreeing upon same thing in the same sense at the same time i.e. there should be consensus – ad – idem.

### 2. Difference between Contract and Agreement.

S.No	Basis	Contracts	Agreement
01	Definition	It is an agreement enforceable by law.	It is every promise forming consideration
02	Enforceability	Every contract is enforceable	Every promise is not enforceable.
03	Inter relationship	It includes an agreement.	It does not include a contract.
04	Validity	Only legal agreements are called contracts.	An agreement may be both legal and illegal.
05	Legal Obligation	Every contract contains a legal obligation.	It is not necessary for every agreement to have legal obligation

### 3. Explain the classification of Contract on the basis of the Validity.

#### i). Valid Contract

- ✪ An agreement which fulfils all the essentials prescribed by law on the basis of its creation.
- ✪ For example S offers to sell his car for Rs.2,00,000 to T. T agrees to buy it.

#### ii). Void Contract (2(j))

- ✪ A contract which does not satisfy any of the essential elements of a valid contract is said to be Void.
- ✪ For example A contract between drug dealers to buy and sell drugs is a void contract.

#### iii). Voidable Contract 2(i)

- ✪ An agreement which is enforceable by law at the option of one or more parties but not at the option of the other or others is a voidable contract.

#### iv). Illegal Contract

- ☞ It is a contract which is forbidden by law.
- ☞ All illegal agreements are Void but all void agreements or contracts are not necessarily illegal.

#### v). Unenforceable Contract

- ❖ Where a contract is unenforceable because of some technical defect i.e. absence in writing barred by imitation etc.
- ❖ If the parties perform the contract it will be valid, but the court will not compel them if they do not

#### 4. Explain the classification of Contract on the basis of the Formation.

##### i). Express Contract

- ♣ A contract made by word spoken or written.
- ♣ According to Section. 9, in so far as the proposal or acceptance of any promise is made in words, the promise is said to be express.

##### ii). Implied Contract

- ★ It is one, which is not expressly written but understood by the conduct of parties.
- ★ Where the proposal or acceptance of any promise is made otherwise than in words, the promise is said to be implied.

##### iii). Quasi Contract

- ➔ It is a contract created by law. Actually, there is no contract.
- ➔ It is based on the principle that “a person shall not be allowed to enrich himself unjustly at the expense of the other”.

##### iv). Tacit Contract

- ⬆ A contract is said to be tacit when it has to be inferred from the conduct of the parties.
- ⬆ For example obtaining cash through automatic teller machine, sale by fall of hammer of an auction sale.

#### 5. Explain the classification of Contract on the basis of the Performance.

##### i). Executed Contract

- ⊛ A contract in which both the parties have fulfilled their obligations under the contract.
- ⊛ For example X contracts to buy a car from Y by paying cash, Y instantly delivers his car.

##### ii). Executory Contract

- ✱ A contract in which both the parties are yet to fulfill their obligations.
- ✱ It is said to be an executory contract.

##### iii). Unilateral Contract

- ⦿ A unilateral contract is a one sided contract in which only one party has performed his promise or obligation, the other party has to perform his promise or obligation.

##### iv). Bilateral Contract

- ⌘ A contract in which both the parties commit to perform their respective promises is called a bilateral contract.

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### III. SHORT ANSWER QUESTIONS

#### 1. What is a valid tender?

A valid tender of performance is considered to be the performance of a promise.

There are mainly two ways of performing contracts:

##### i. Actual Performance

- When the party has done what he had undertaken to do, it is called actual performance.
- In actual performance, the party is to fulfill all his obligations under the contract.

##### ii. Attempted Performance

- \* When the party offers to perform his obligation, it is not accepted by the promisee.
- \* So, it is also called offer to performance or tender.

#### 2. Who can execute and perform a Contract?

- \* Promisor himself
- \* Agent
- \* Representations
- \* Third Person
- \* Promise

#### 3. Who can demand performance?

- ⊗ **Promisee** – Only a promisee can demand performance and not a stranger demand performance of the contract.
- ⊗ **Legal Representative** – Legal representative can demand Exception performance. Contrary intention appears from the contract. Contract is of a personal nature.
- ⊗ **Third party** – Exception to “stranger to a contract”

#### 4. Write a note on the benefits of Reciprocal Promise.

Promises which form consideration or part of consideration for each other are called ‘reciprocal promise’.

- ➞ Mutual and Independent
- ➞ Mutual and Dependent
- ➞ Mutual and Concurrent

#### 5. Who is a Joint Promisor?

Where two or more persons have made a joint promise, a release of one of such joint promiser by the promisee does not discharge the other joint promiser, neither does it free the joint promiser.

### IV. LONG ANSWER QUESTIONS

#### 1. Explain rules relating to place of performance of promise

- \* It is only the promisee for whom the contract is performed.
- \* Only the promisee can demand the performance of the promise under a contract.

- ✱ Of course, there are certain special cases, where a third party can enforce a promise though he is not a party to the contract.
- ✱ For example in respect of trust, marriage settlement etc.
- ✱ In case of death of promisee, the representative appointed by him can ask for the performance of the promise under a contract.

## 2. Elucidate the provision regarding time as factor in performance.

### i). Under Section 46, performance within a reasonable time:

- ★ According to Section 46, a promisor is to perform his promise within a reasonable time.
- ★ On the other hand, reasonable time will depend upon the circumstance of the case, the usage of trade or on the intention of the parties entering into the contract.

### ii). Under Section 47, specified time and place for performance:

- ♣ According to the Section 47, In such a case the promisor may perform the promise at any time during the usual hours of business on such day and at the place at which the promise ought to be performed.

## 3. How do you think appropriation of payments takes place?

### i). Appropriation of Payments

- ✱ Sometimes, a debtor owes several distinct debts to the same creditor and he makes a payment which is insufficient to satisfy all the debts.
- ✱ In such a case, a question arises as to which particular debt the payment is to be appropriated.

### ii). Application of payment where debt to be discharge is not indicated [60]

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

### iii). Application of payment where neither party appropriates [61]

- ✱ The payment shall be applied in discharge of the debts in order of time whether they are or are not based by the limitation Act 1963.
- ✱ If the debts are of equal standing the payment shall be applied in discharge of each of these debts proportionately.

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## CHAPTER – 31

### DISCHARGE AND BREACH OF CONTRACT

#### I. CHOOSE THE BEST ANSWER:

1. On the valid performance of the contractual obligation by the parties, the contract.

- (a) is discharged      (b) becomes enforceable      (c) becomes void      (d) none of these

2. An Agreement to do an Act impossible in itself under Section 56 is.  
 (a) Void (b) Valid (c) Voidable (d) Unenforceable
3. Any agreement which becomes impossible to perform under various circumstances  
 (a) Voidable (b) Void (c) Valid (d) None of these
4. Discharge by Mutual Agreement may involve  
 (a) Novation (b) Rescission (c) Alteration (d) All of the above
5. The compensation given for breach of contract is  
 (a) Damage (b) Remuneration (c) Money (d) Cheque

## II. VERY SHORT ANSWER QUESTIONS

### 1. What are the kinds of consent?

✿ **Express :**

Express consent may be given at the time of formation of the contract to its formation

✿ **Implied :**

- Novation, Alteration,
- Recession, Remission, and etc...

### 2. What are the types of Impossibility of Performance?

- ✿ Impossibility existing at the time of agreement.
- ✿ Impossibility arising subsequent to the formation of contract.

### 3. What is Quantum merit?

- ⊙ The claim for quantum merit may arise if a contract performed by one party has become discharged by breach of the other party.
- ⊙ The meaning of the phrase quantum merit is 'as much as earned'.

## III. SHORT ANSWER QUESTIONS

### 1. What are the different modes of discharged by implied consent?

- ✿ Agreement between the parties comes to an end by mutually agreeing for it.
- ✿ Any contract is created by an agreement, hence in the same way; it can be discharged by an agreement.
- ✿ The consent may be of the following types
  - (i) **Express:** 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 are mentioned below
    - (a) Novation, (b) Alteration, (c) Recession, (d) Remission,
    - (e) Accord and Satisfaction, (f) Waiver and (g) Merger

## 2. Define discharge by Performance.

- ♣ According to the Section 56 of the Act, all acts to do impossible acts are void.
- ♣ There are two types of impossibility of performance such as –
  - ⊙ Impossibility existing at the time of agreement.
  - ⊙ Impossibility arising subsequent to the formation of contract.

## 3. What are reasons for impossibility arising after the formation of contract?

A contract may be discharged if its performance becomes impossible.

- ⊗ The law does not recognize what is impossible and
- ⊗ What is impossible does not create an obligation.

## 4. What are the various rules regarding damages?

- ⊗ Damages are a monetary compensation awarded by the court to the injured party for the loss or injury suffered by him.
- ⊗ As per contract, one party can claim damages if other party breach the contract.
- ⊗ The main purpose of awarding the damages is to make good the loss suffered by him.
- ⊗ It is known as doctrine of restitution.

## IV. LONG ANSWER QUESTIONS

### 1. Explain the ways of discharge of Contract?

#### i). Discharge by Performance

- ➔ Performance implies carrying out the obligation of the contract.
- ➔ Performance must be completed according to the real intentions of the agreement.
- ➔ Performance of contract may be of two types namely:
  - ⊗ Actual performance
  - ⊗ Attempted performance

#### ii). By Agreement on Consent:

- ⊗ The consent may be of the following types
  - (i) **Express:** Express consent may be given at the time of formation of the contract to its formation
  - (ii) **Implied:** The contracts are also discharged by implied consent, different modes of discharge by implied consent are mentioned below
    - (a) Novation, (b) Alteration, (c) Recession, (d) Remission,
    - (e) Accord and Satisfaction, (f) Waiver and (g) Merger

#### iii). By Impossibility of performance:

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

- ⊗ The law does not recognize what is impossible and
- ⊗ What is impossible does not create an obligation.



**iv). By Lapse of Time**

- ▲ According to the Limitation Act, 1963 a contract must be performed within a specified time.
- ▲ If it is not performed within this specified time limit.

**v). By Operation of Law:**

- ➔ A contract can be discharged by the operation of law.
- ➔ The operation of law by which contract can be discharged are as follows:
  - ☉ By Death
  - ☉ By Merger
  - ☉ By Insolvency
  - ☉ Rights and liabilities vesting in the same person

**2. Write about the various remedies for breach of contract****(i) Rescission of Contract**

In case of breach of contract by one party, then the other parties may rescind the contract and thereby the party is absolved from his all obligations under the contract.

**(ii) Claim for Specific Performance**

- ✱ In some specific cases if the damages are not the adequate remedy, then the court can direct the party in breach for the specific performance of the contract.
- ✱ In such case, the promise is carried out as per terms and conditions of the contract.

**(iii) Claim for Injunction**

- ☉ Injunction is an order passed by a competent court restraining a person from doing some act.
- ☉ Injunction can be defined as a mode of securing the specific performance of the negative terms of a contract.

**(iv) Claim for Quantum Merit**

- ✱ The claim for quantum merit may arise if a contract performed by one party has become discharged by breach of the other party.
- ✱ The meaning of the phrase quantum merit is 'as much as earned'.

**(v). Claim for damages:**

- ✱ Damages are a monetary compensation awarded by the court to the injured party for the loss or injury suffered by him.
- ✱ The main purpose of awarding the damages is to make good the loss suffered by him.

**3. Discuss the different types of damages awarded to the injured party.**

- ✱ Damages are a monetary compensation awarded by the court to the injured party for the loss or injury suffered by him.
- ✱ As per contract, one party can claim damages if other party breach the contract.
- ✱ The main purpose of awarding the damages is to make good the loss suffered by him.
- ✱ It is known as doctrine of restitution.

- \* The Section 73 of the Indian Contract Act, 1872 deals with the compensation for loss or damages caused by a party for breach of contract.
- \* There are mainly four types of damages, such as
  - Ordinary damages
  - Special damages
  - Exemplary damages
  - Nominal damages.

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## CHAPTER- 32

### DIRECT TAX

#### I. CHOOSE THE BEST ANSWER:

1. Income Tax is
  - (a) a business tax      (b) a direct tax      (c) an indirect tax      (d) none of these
2. Period of assessment year is
  - (a) 1 April to 31st March      (b) 1 March to 28th February
  - (c) 1 July to 30th June      (d) 1 January to 31st December
3. The year in which income is earned is known as
  - (a) Assessment year      (b) Previous year      (c) Light year      (d) Calendar year
4. The aggregate income under five heads is termed as
  - (a) Gross Total Income      (b) Total Income      (c) Salary Income      (d) Business Income
5. Agricultural income earned in India is
  - (a) Fully Taxable      (b) Fully Exempted      (c) Not considered for Income      (d) None of the above

#### II. VERY SHORT ANSWER QUESTIONS

##### 1. What is Income tax?

- ⚙ Indirect Tax is levied on the goods and services.
- ⚙ It is collected from the buyers by the sellers and paid by the sellers to the Government.
- ⚙ Since it is indirectly imposed on the buyers it is called indirect tax.

##### 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. Define the term person?**

- an individual,
- a Hindu Undivided Family (HUF),
- a company,
- a firm,
- a local authority, and
- every artificial juridical person

**4. Define the term assessee?**

Assessee means a person by whom any tax or any other sum of money is payable under this Act.

It includes every person in respect of whom any proceeding has been taken for the assessment of his income.

**5. What is an assessment year?**

*The term has been defined under section 2(9).* The year in which tax is paid is called the assessment year. It normally consisting of a period of 12 months commencing on 1<sup>st</sup> April every year and ending on 31<sup>st</sup> March of the following year.

**III. SHORT ANSWER QUESTIONS****1. What is Gross Total Income?**

- \* Income from all the above five heads of income shall be computed separately according to the provisions given in the Act.
- \* Income computed under these heads shall be aggregated after adjusting past and present losses and the total so arrived at is known as 'Gross Total Income'.

(i) Income from 'Salaries'	*****
(ii) Income from 'House Property'	*****
(iii) Income from 'Business or Profession'	*****
(iv) Income from 'Capital Gains'	*****
(v) Income from 'Other Sources'	*****
Gross Total Income (GTI)	*****

**2. List out the five heads of income.**

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

### 3. Write a note on Agricultural Income.

- ☆ Any rent or revenue derived from land which is situated in India and is used for agriculture purposes.
- ☆ It is fully exempted from tax u/s 10(1) and as such does not form part of total income.

### 4. What do you mean by Total Income?

- ⊛ Out of Gross Total Income, Income tax Act 1961 allows certain deductions under section 80.
- ⊛ After allowing these deductions the figure which we arrive at is called 'Total Income' and on this figure tax liability is computed at the prescribed rates.

Gross Total Income	****
Less: Deductions (Sec.80C to 80U)	****
Total Income (T.I.)	****

### 5. Write short notes on: a). Direct Tax. b). Indirect Tax

#### a). Direct Tax:

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

#### b). Indirect Tax

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

## IV. LONG ANSWER QUESTIONS

### 1. Elucidate any five features of Income Tax.

#### i. Levied as Per the Constitution

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

#### ii. Levied by Central Government

- ✕ Income tax is charged by the Central Government on all incomes other than agricultural income.
- ✕ However, the power to charge income tax on agricultural income has been vested with the State Government as per entry 46 of list II, i.e., State List.

#### iii. Direct Tax

- ✱ Income tax is direct tax.
- ✱ It is because the liability to deposit and ultimate burden are on same person.
- ✱ It cannot pass on the burden of tax to another person.

**iv. Annual Tax**

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

**v. Tax on Person**

- ✿ It is a tax on income earned by a person.
- ✿ It includes individual, Hindu Undivided Family, Firm, Company, local authority, Association of person or body of Individual or any other artificial juridical persons.
- ✿ The persons who are covered under Income tax Act are called 'assessee'.

**2. Define Tax. Explain the term direct tax and indirect tax with an example.**

**Tax:**

- ✿ Tax is a compulsory contribution to state revenue by the Government.
- ✿ It is levied on the income or profits from business of individuals and institutions.
- ✿ Tax is the basic source of revenue to the Government.

**Types of Taxes**

There are two types of taxes – direct taxes and indirect taxes.

**a). Direct Tax:**

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

**b). Indirect Tax**

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

**3. List out any ten kinds of incomes chargeable under the head income tax.**

- ★ Profits and gains of business or profession.
- ★ Dividend
- ★ Voluntary contribution
- ★ Export incentives, like duty drawback, cash compensatory support, sale of licenses, etc.,
- ★ Interest, salary, bonus, commission or remuneration earned by a partner of a firm from such firm.
- ★ Capital gain chargeable u/s 45.
- ★ Deemed income u/s 41 or 59.
- ★ Amount received under key man insurance policy including bonus thereon.
- ★ Gift as defined u/s 56 (2)(vi), and others.

#### 4. Discuss the various kinds of assesses.

- Assessee means a person by whom any tax or any other sum of money is payable under this Act.
- It includes every person in respect of whom any proceeding has been taken for the assessment of his income or assessment of fringe benefits.
- The term 'person' includes the following
  - ♥ an individual,
  - ♥ a Hindu Undivided Family (HUF),
  - ♥ a company,
  - ♥ a firm,
  - ♥ an Association Of Persons or a Body
  - ♥ a local authority, and
  - ♥ every artificial juridical person e.g., an idol or deity.

### CHAPTER- 33 INDIRECT TAXATION

#### I. CHOOSE THE BEST ANSWER:

1. Who is the chairman of the GST council?
 

(a) RBI Governor
(b) Finance Minister
(c) Prime Minister
(d) President of India
2. GST stands for
 

(a) Goods and Supply Tax
(b) Government Sales tax

(c) Goods and Services Tax
(d) General Sales Tax
3. What kind of tax is GST is?
 

(a) Direct Tax
(b) Indirect Tax

(c) Dependence on the type of goods and services
(d) All business organizations
4. What is IGST?
 

(a) Integrated Goods and Services Tax
(b) Indian Goods and Services Tax

(c) Initial Goods and Services Tax
(d) All the Above
5. In India GST became effective from?
 

(a) 1st April 2017
(b) 1st January 2017
(c) 1st July 2017
(d) 1st March 2017

#### II. VERY SHORT ANSWER QUESTIONS

##### 1. Define Indirect tax.

It is levied on the goods and services. It is collected from the buyers by the sellers and paid by the sellers to the Government. Since it is indirectly imposed on the buyers it is called indirect tax.

E.g. GST - Goods and Services Tax, Excise duty.

## 2. List out any four types of indirect taxes levied in India.

- ✧ CGST
- ✧ SGST
- ✧ UGST
- ✧ IGST

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

- ▲ Goods and Services Tax (GST) is the tax imposed on the supply (consumption) of goods and services.
- ▲ GST Act was passed on April 12, 2017.
- ▲ GST came into effect from 1<sup>st</sup> July, 2017.

## 4. Write a note on SGST.

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

## 5. What is CGST?

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

## III. SHORT ANSWER QUESTIONS

### 1. Write any two differences between direct taxes and indirect taxes.

S.No	Basis	Direct Tax	Indirect Tax
1	<b>Burden</b>	Tax burden is progressive on people.	Tax burden is regressive.
2	<b>Evasion</b>	Tax evasion is possible.	Tax evasion is more difficult
3	<b>Shiftability</b>	Cannot be shifted to others	Can be shifted to others

### 2. What are the objectives of GST?

- ✱ The foremost objective of GST is to create a common market with uniform tax rate in India.
- ✱ To eliminate the cascading effect of taxes, GST allows set-off of prior taxes for the same transactions as input tax credit.
- ✱ To boost Indian exports, the GST already collected on the inputs will be refunded and thus there will be no tax on all exports.

### 3. Briefly explain the functions of GST council.

#### A. To the Society and country

- ✧ GST has integrated the economy of all States and Union Territories.
- ✧ Creation of more employment opportunities which will result in poverty eradication.
- ✧ It will bring more tax compliance (more tax payers) and increase revenue to the Governments.

#### B. To Business Community

- Simpler Tax System with fewer exemptions. 17 taxes were abolished and one tax exists today.



- Input tax credit will reduce cascading effect of taxes.
- Uniform prices throughout the country. Expansion of business to all states is made easy.

#### C. To Consumers

- ➔ Input tax credit allowed will lower the prices to the consumers.
- ➔ All small retailers will get exemption and purchases from them will cost less for the consumers.

#### 4. Explain IGST with an example.

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

#### 5. Write any three demerits of UGST.

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

S.No	Basis	Direct Tax	Indirect Tax
1	<b>Burden</b>	Tax burden is progressive on people.	Tax burden is regressive.
2	<b>Evasion</b>	Tax evasion is possible.	Tax evasion is more difficult
3	<b>Inflation</b>	Direct tax helps in reducing the inflation.	Indirect tax contributes to inflation
4	<b>Shiftability</b>	Cannot be shifted to others	Can be shifted to others
5	<b>Examples</b>	Income Tax, Wealth Tax, Capital Gains Tax, Securities Transaction Tax, Perquisites Tax.	GST. Excise Duty

#### 2. Discuss the different kinds of GST.

GST is of three kinds: CGST, SGST/UGST, and IGST.

##### i). CGST

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

##### ii). SGST

State Goods and Services Tax - imposed and collected by the State Governments under State GST Act. (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.

**3. Elucidate the merits of GST.****A. To the Society and country**

- ✳ GST has integrated the economy of all States and Union Territories.
- ✳ It will boost manufacturing, export, GDP leading to economic growth through increase in economic activity.
- ✳ Creation of more employment opportunities which will result in poverty eradication.
- ✳ It is transparent and will improve India's ranking in the 'Ease of Doing Business' in the world.
- ✳ Uniform rates of tax will reduce tax evasion and rate arbitrage between States.

**B. To Business Community**

- Simpler Tax System with fewer exemptions. 17 taxes were abolished and one tax exists today.
- Input tax credit will reduce cascading effect of taxes.
- Common procedures, common classification of goods and services and timelines will lend greater certainty to taxation system.
- Uniform prices throughout the country. Expansion of business to all states is made easy.

**C. To Consumers**

- Input tax credit allowed will lower the prices to the consumers.
- All small retailers will get exemption and purchases from them will cost less for the consumers.

**4. Compare CGST, SGST and IGST.**

S.No	Basis	CGST	SGST	IGST
1	<b>Meaning</b>	CGST means Central goods and service tax to replace the existing tax like service tax, excise, etc.	SGST means State goods and service tax, replace the existing tax like sales tax, luxury tax, entry tax, etc.	IGST refers to it is a combined form of CGST and IGST and it is levied by central government.
2	<b>Collection of tax</b>	Central government	State government	Central government
3	<b>Applicability</b>	Intra-state supply	Intra-state supply	Inter-state supply
4	<b>Registration</b>	No registration till the turnover crosses 20 lakhs	No registration till the turnover crosses 20 Lakhs	Registration is mandatory
5	<b>Composition</b>	The dealer can use the benefit up to 75 lakhs under the composition scheme	The dealer can use the benefit up to 75 lakhs under the composition scheme	The composition scheme is not applicable in interstate supply

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***"Failure is the opportunity to begin again more intelligently"***

