

+1 COMMERCE

**New Syllabus Study Material for the
Academic year 2019**

**SS TUITION CENTER –
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Chapter – 1 Historical background of commerce in the sub – continent

Very Short Answer Questions

1. What is meant by Barter system?

- ✓ Before invention of money goods were exchanged for goods is known as barter system.
 - ✓ Each party who have surplus stock can take place in barter system.
-

2. What is meant by Nallangadi?

- ✓ In pandiya period ,trade in copper, cloth salt , flower, cereals, pearls, etc were flourished (grow) during their period .
 - ✓ The place where the goods were sold was called **Angadi**.
 - ✓ The day market was called as **Naalangadi**
-

3. What is meant by Allangadi?

- ✓ In pandiya period ,trade in copper, cloth salt , flower, cereals, pearls, etc were flourished during their period .
 - ✓ The place where the goods were sold was called **Angadi**.
 - ✓ The night market was called as Allangadi .
-

Short Answer Questions

1. Explain the meaning of the term “Vanigam”.

1. The word vaniyam or vanipam would have had a Dravidian origin.
2. In early Tamils produced their products and goods in their lands and bartered their surplus and that is how trade came into existence.
3. The word ‘Vanigam’ has been widely used in sangam literature like Purananuru and Thirukkural.
4. (The Tamil Brahmi inscriptions from Alagarmalai, Pugalur, Mangulam and Sri Lanka - illustrate the fact that) trade in gold, oil, plough, cloth etc. was conducted during the early age.

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

- ✓ In sangam period both internal and external trade was conducted by means of barter (pandamattru)
- ✓ The trade is the one of the major link of variour religion in the medieval period.

- ✓ Sangam work refers to great traders, their caravans, security force, markets, marts and guilds of such great traders.
 - ✓ The important articles which the then hilly tribes offered to their neighbours in exchange were honey and roots and fruits while pastoral people offered cattle, milk and milk products.
 - ✓ There was dependence and interdependence among the people in matters of trade and commerce
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3. State the meaning of Maruvurapakkam and Pattinapakkam.

- Big cities like Poompuhar had two town
 - ✓ 'Maruvurappakam' (inland town) and
 - ✓ 'Pattinapakkam' (coastal Town),
 - The town had market and bazaars - where many merchants met one another for the purpose of
 - selling or buying different kinds of commodities and food stuff.
 - Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts, imports and exports of products.
 - The people in the coastal region, were engaged in different kinds of –
 - Fishing, pearl, produce salt and
 - Built ship, boat like - oadagu, thimil, thoni, ambu were used to for crossing the river and oceans for domestic trade and foreign trade .
-

4. What are the ports developed by Pandiya kingdom?

- ✓ Trade and commerce was so common to Pandiya Dynasty.
- ✓ Trade in copper, cloth, salt, flower, sandal wood, fish, paddy, cereals, pearls, etc flourished during their period.
- ✓ The port which are developed during the pandiyas period such as
 - ✓ Shipping
 - ✓ Light house
 - ✓ Warehouse, etc.

To promote overseas trade (foreign trade) (to cross sea)

- ✓ Besides that Pandiyas developed korkai, Saliyur, Kayal, Marungaur , pattinam and Kumari for foreign trade.
 - ✓ The State Govtments installed check posts to collect customs along the highways and the ports.
-

5 What was focused in Arthasasthra about creation of wealth?

- ✓ “Kautilya’s Arthasastra” describes economy in Mauriyan time.
 - ✓ According to Kautilya, trade in Medieval India was centralized.
 - ✓ Since the commodities produced could not be sold in the location of production,
 - so the state designated certain places for selling the commodities.
 - ✓ State levied duties on goods which are brought into the city and
 - ✓ Kautilya gave importance for the -
 - state treasury , taxation, industry, commerce , agriculture and conservation of natural resources and also
 - on the creation and promote wealth - means well being of the state.
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IV. Long Answer Questions

1. What are the hindrances of business?

Business consists of all industries and commerce.

The various hindrances removed by business are as follows

1. Hindrance of person

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

2. Hindrance of place

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

3. Hindrance of time

- Goods are produced and stored in warehouses in different regional .
- The goods distributed at the right time to the consumers on their demand.

4. Hindrance of risk of deterioration in quality

- Proper packaging and air conditioned storage
- Ensure and protect the products against insects, rat evaporation and deterioration.

5. Hindrance of risk of loss

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

6. Hindrance of knowledge

Advertising and communication help in announcing the –

- ✓ arrival of new products and
- ✓ their uses to the people.

7. Hindrance of exchange

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

8. Hindrance of finance

- If the Producers and traders may not have the required funds.
 - Banks and other financial institutions provide funds
 - It enable the business function smoothly.
-

2. Briefly explain the coastal trade in ancient Tamilnadu.

coastal trade in ancient Tamilnadu

south coromandel coast within the territory of tamilnadu state -

- It is the sea side town
- Which was one of the second capital of - Chola dynasty and
- Internal trade with both eastern and western people.

1. Big cities like Poompuhar had two town

- ✓ 'Maruvurappakam' (inland town) and
- ✓ 'Pattinapakkam' (coastal Town),

2. The town had market and bazaars -

- ✓ where many merchants met one another for the purpose of
- ✓ selling or buying different kinds of commodities and food stuff.

3. Port towns like

- ✓ Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with activities related to imports and exports.

4. The people in the coastal region, were engaged in different kinds of –

- ✓ Fishing, pearl and produce salt and built ship, boat like oadagu, thimil, thoni, ambu
 - ✓ It was used to for crossing the river and oceans for domestic trade and foreign trade
-

3. Explain the development of Commerce and Trade in North India.

- ✓ India was prosperous even during the medieval period from 12th to 16th centuries despite political upheavals.

- ✓ Balban was the first sultan who paved the way in the dense forest and helped traders to move from one market place to others.
 - ✓ Alauddin Khilji encouraged import of foreign goods
 - ✓ Arabs were dominant players in India's foreign trade Encouraged Indian traders like-
 - Tamils, Gujaratis, etc..
 - ✓ During Sultanate period, trade flourished due to the establishment of currency system based on silver and copper.
 - ✓ India's handicraft commanded a good foreign market.
 - ✓ India imported horses, dry fruits, precious stones, glassware, high grade textiles, raw silk, corals, scented oil, velvets, etc..
 - From Kabul, Arabia, Europe, West Asia and China.
 - ✓ Indian products were exported to East Africa, Malaya, China and Far East.
 - ✓ The traders of Malabar, Gujarat and foreign settlers in the ports of Calicut, Khumbat and Mangalore controlled a major business sector in port cities.
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4. What do you know about the overseas trading partners of ancient Tamilnadu?

- Roman and Greek forged trade relationship with ancient Kings of –
 - Pandiya,
 - Chola and
 - Chera dynasties.
 - Cholas had a strong trading relationship with Chinese, secure a sea trading route to China.
 - During the 16th and 18th centuries, India's overseas trade expanded European companies.
 - The European merchants who came to India were not only individual merchants but also represented their respective governments.
 - They gained a strong foothold in India's maritime trade
 - The discovery of new all – sea routes from Europe to India - via **Cape of Good Hope by Vascoda Gama**
 - In the 17th and 18th centuries East India Company which became the British Empire
 - in Textiles and ship building and fame.
 - Britishers gradually abolished Princely order in the Indian territories.
 - Thus the demand for Indian goods declined during the British rule.
 - Between early 1600 and mid – 19th century, the British East India company led establishment and expansion of foreign trade all over Asia.
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5. **State the constraints (Limitation) in barter system.**

Constraints in Barter System

The barter system envisages mutual exchange of one's goods to other without the intervention of money as a medium of exchange.

It imposes certain constraints explained below.

1. Lack of double coincidence of Wants

1. Unless two persons who have surplus have the demand for the goods possessed by each other, barter could not materialize.
2. If this "coincidence of wants" does not exist, Barter cannot take place.

2. Non – existence of common measure of value

1. Barter system could not determine the value of commodities to be exchanged
2. It was difficult to compare the values of all articles in the absence of an acceptable medium of exchange.

3. Lack of direct contact between producer and consumers

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

4. Lack of surplus stock

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

1. What are the ports developed during the Sangam period.

Many such ports were developed during the Sangam period by cholas and pandiyas.

1. Kaveripumpattinam was the chief port of the Kingdom of Cholas while Nagapattinam, Marakkanam, Arikamedu etc. were other small ports on east coast.
2. Similarly Pandiyas developed Korkai, Saliyur, Kayal, Marungaur pattinam and Kumari for foreign trade.

2. Describe the trade route built during sangam period

- ✓ During the Sangam period, the main trade routes were passing through thick forests over western ghats.
 - ✓ Main roads known as Peruvali were built for surface transportation.
-

1. Define Economic Activities.

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

- ❖ Production of goods by manufactures
 - ❖ Distribution of goods by wholesalers
 - ❖ Selling by retailers
-

2. What do you mean by Business?

Business refers to those economic activities which are concerned with the production or purchase and sale of goods or supply of services with the main object of earning profits.

Example – farming , manufacturing , fishing , etc.

3. Define Profession.

Professions are those occupations which involve rendering of personal services of a special and expert nature.’

Example – lawyers, doctors, engineers, chartered accountants.

4. What do you mean by Employment?

Employment refers to the occupation in which people work for others and get remunerated in return.

- One who employed by other are called **Employee**
- The one who employs other is called **Employers**

Example – managers , clerks, bank officials, etc.

Long answer

1. Explain the characteristics of business. Any 6

Characteristics of business are as follows:

1. An economic activity:

All business activities are economic activities and are done for the purpose of earning money.

2. Production and procurement of goods and services:

- ✓ A business activity involves-
 - production or procurement of goods and services.
- ✓ A manufacturer is involved in production, and
- ✓ A shopkeeper is involved in procurement.

3. Sale , transfer and exchange :

Sale and exchange of goods and services is done to satisfy human needs.

4. Regularity of dealing:

- One time dealing in goods or services cannot be termed as a business.
- The business should happen on a regular basis.

5. Profit earning:

- ✓ Profit earning is the fundamental motive of doing a business.
- ✓ Other objectives cannot be attained without it.

6. Uncertainty of returns:

- ✓ Returns (profit) can never be certain in business activity.
- ✓ Its depend on the number of factors beyond the control of the business organization.

7. Element of risk: An element of risk is always present in business activity.

2. Compare business with profession and employment. Any 6

Answer: Business has been compared with profession and employment in tabular form given below:

Basis	Business	Profession	Employment
1. Mode of establishment	Promoter's (Entrepreneur's) decision registration and other legal formalities	Membership of a professional body and certificate of practice.	Appointment letter and service agreement.
2. Nature of work	Goods and services provided to the public.	Rendering of personalized, expert services.	Performing work assigned by the employer.
3. Qualification	No qualification is required.	Education and training in a specific field is must.	Qualification and training as prescribed by the employer.
4. Basic motive	Earning profit by satisfying needs of society	Rendering service.	Earning wages or salary by serving the employer.
5. Reward or return	Profit earned.	Professional fee.	Salary or wages.

6. Capital investment	Capital required is based on the size and nature of business.	Limited capital is required .	No capital required.
7. Risk	Profits are uncertain and irregular; risk is present.	Fee is generally regular and certain; some risk.	Fixed and regular pay and no risk involved.
8. Transfer of interest	Transfer possible with some formalities.	Not possible.	Not possible.

3. Distinguish between economic and non – economic activity

Basic	Economic activities	Non – economic activities
1. Definition	Those activities which are undertaken to earn money or financial gain. Example – fruit seller selling fruit	Those activities which are undertaken for the sake of pleasure, performed out of love, sympathy. Example – mother cooks for her family
2. Motive	Motive is to earn money and financial again. Example – working as lawyer	Motive is to satisfies social, psychological, emotional needs. Example – visit to a temple
3. Money measurement	All economic activities can be valued in monetary terms. Example – doctor charges a fee for consultation.	<ul style="list-style-type: none"> - It cannot be measure valued in monetary term . - These are expressed as feeling , though , gesture. Example – An NGO distributes free clothes to poor children.
4.Relationship	It is related to the creation of wealth . e.g., Ram saved part of his salary to purchase a house of his own.	It is related to not creation of wealth e.g., Money received as donation is spent on charity work.
4. Outcome	Result in production,procurement, distribution and consumption of goods and services.	Result in mental, emotional or psychological satisfaction .

	e.g., Nokia produces cell phones and sells across India through its distributors.	e.g., Sona enjoys teaching orphans in an orphanage.
5. Duration	They are done repetitive on a regular basis to earn a living. e.g., Kulfi ice cream seller sells ice creams every evening.	They are not undertaken regularly. Usually they are done during free time. e.g., Sankar visits orphanage in his free time
6. Source of initiation	Economic activities are initiated to satisfy human needs and wants.	Non-economic activities are initiated to satisfy emotional or sentimental pleasures.

4. Discuss any five objective of business

1. Economic Objectives

Economic objectives of business refer to

- ✓ Earn profit
- ✓ Creation of customers,
- ✓ Regular innovations and
- ✓ Best possible use of available resources.

2. Social Objectives

- ✓ Social objectives of the business, which are desired to be achieved for the benefit of the society.
- ✓ by utilizing the scarce resources, the society expects something in return for its welfare

3. Organizational Objectives

The organizational objectives denote intends to accomplish during the course of its existence in the economy like

- expansion and modernization,
- supply of quality goods to consumers,
- customers' satisfaction, etc.

4. Human Objectives

- ✓ Human objectives aimed at the well-being as well as fulfillment of expectations of employees.
- ✓ And also people who are disabled, handicapped and deprived(lost) of proper education and training.

5. National Objectives

Being an important part of the country

The national objective of the business is to fulfilling national goals and aspirations.

The goal of the country to provide –

- Employment opportunity to its citizen,
- Become self-sufficient in production of goods and services,
- promote social justice, etc.

Business activities should be conducted keeping these goals of the country in mind is called national objectives of business.

SHORT ANSWER

1. What do you mean by human activities? Explain

Human Activities

Human activity is an activity performed by a human being to meet his/her needs and wants or may be for personal satisfaction.

Human activities can be categorised into –

1. economic and
2. non-economic activities

Economic Activities

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

Examples:

- a) Production of goods by manufacturers
- b) Distribution of goods by wholesalers
- c) Selling by retailers
- d) Medical advice rendered by physicians
- e) Accounting practice by chartered accountants

Non-Economic Activities

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

Examples:

- a) Cooking food for family
 - b) Celebrating festivals
-

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

1. Business

- Business refers to any human activity undertaken on regular basis.
- The business activities which are concerned with the –
 - production
 - purchase and sale of goods
 - supply of services with the main object of earning profits.

Example – farming , manufacturing , fishing , etc.

2. Professions –

- Profession are those occupations which involve rendering of personal services of a special and expert nature.
- Profession is a career for someone who is competent in their respective areas.
- Those engaged in a profession are called professionals
- They can earn income by charging professional fee .

Example – lawyers, doctors, engineers, chartered accountants

3. Explain the concept of 'Business'.

Definition

According to James Stephenson business refers to “Economic activities performed for earning profits.”

The following are the characteristics of business

1. All business activities are mainly concerned with –
 - production
 - Distribution
 - Purchase and sale of goods and services for value to satisfy human needs.
 2. Profit earning is the main with the main object of the business.
 3. Business deal with transfer and exchange of goods and services
 4. Business has to meet various type of risks and this may result in heavy loss and uncertainty of profit .
 5. Business activities are classified on the basis of –
 - Size
 - Ownership
 - Function.
-

4. Briefly state the human objectives of a business

Human Objectives of the business -

- ✓ Human objectives aimed at the well-being as well as fulfillment of expectations of employees.
 - ✓ And also people who are disabled, handicapped and deprived(lost) of proper education and training.
 - ✓ The human objective of business may include -
 - Economic well – being of the employees
 - Social and psychological satisfaction of employees and
 - Development of human resources.
-

Additional question

1. What are different types of economic activities

- Economic activities are undertaken to earn money.
- Through their occupation on the regular basis

Occupation may be classified into –

1. Employment
 2. Profession
 3. Business
-

2. How the business activities are classified?

Business activities are classified one the basis of –

1. Size
2. Ownership
3. Function

1. Activities on the Basis of Size

- a. Small size business
- b. Large scale business

2. Activities on the Basis of Size

- a. Private enterprises
- b. Public enterprise
- c. Joint enterprises

3. Activities on the Basis of function

- a. Industry
 - b. Commerce
-

Very Short answer

1. Define commerce

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

2. What do you mean by industry

- Industry refers to economic activities, which are connected with conversion of resources into useful goods.
 - The production side of business activity is referred as industry
-

3. What is trade ?

- Trade is an essential part of commerce.
 - The term ‘trade’ is used to denote buying and selling of goods
 - Trade may be classified into -
 1. internal trade and external trade,
 2. wholesale trade and retail trade.
-

4. Write a short note on transportation.

- Transportation means the medium of transport through which men and material are moves from one place to another.
 - Hence , goods are send to different places where they are demanded.
-

Short answer

1. Distinguish between Extractive industries and genetic industries.

Extractive industry	Genetic industries.
<ol style="list-style-type: none">1. These industries extract product from natural sources like - soil, air or water.2. Products of these industries are usually transformed into many other useful goods by manufacturing industries.3. Extractive industries include -<ul style="list-style-type: none">- farming,- mining,- oil drilling, hunting and fishing. etc	<ol style="list-style-type: none">1. These industries remain engaged in breeding plants and animals for their use in further reproduction.2. Genetic industries includes<ul style="list-style-type: none">- seeds- nursery companies,- poultry, diary, piggery- , fisheries, apiary etc

2. What do you mean by tertiary industries?

Tertiary industries or service industry

1. They do not produce goods.
 2. These industries produce utility services and sell them at a profit.
 3. They help trade, industry and commerce.
 4. These industries concerned with providing support services to primary and secondary industries .
 5. It includes banking, finance, insurance, warehouse, advertisement, communication, transportation etc.
-

3. Write any three characteristics of commerce.

Characteristics of Commerce

1. Commerce is an **economic activity** because it is undertake to earn profit.
 2. Commerce involves **the exchange of goods and services** for profit.
 3. The **primary objective** of Commerce is to earn profit
 4. Commerce involves the creation of time and place **utility** for the products.
 5. Commerce consists of **regular transaction.**
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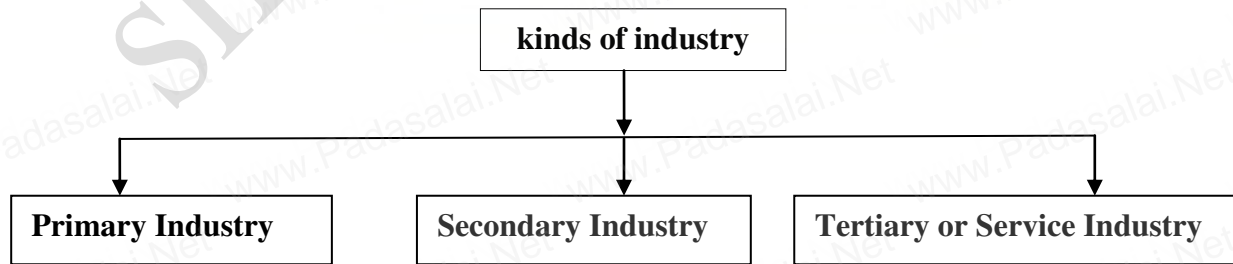
4. Narrate commerce with an example

- Commerce refers to all those activities which bringing goods from the place of production to the place of their consumption.
 - Commerce deal with –
 - buying and selling of goods,
 - Exchange of commodities and
 - contribution of finished products.
 - Commerce includes not only trade but also services such as –
 - transport,
 - warehousing,
 - packaging,
 - insurance, banking and
 - sales promotion which are incidental or auxiliaries to trade.
 - Example –
 1. international commerce takes place between countries
 2. Interstate commerce is done across state lines
 3. Electric commerce takes place via the internet.
-

1. Distinguish between industry, trade and commerce.

Basic	Industry	Commerce	Trade
1. Meaning	Extraction, reproduction , conversion, processing and construction of useful products.	It involves distribution of goods and services.	Purchase and sale of good and services.
2. Capital	Large amount of capital invested is required.	Comparatively lesser capital investment is required	Small capital is needed depends on the nature of business
3. Scope	It Consists of all activities involving conversion of materials and semi – finished products into finished goods.	It Comprises trade and auxiliaries to trade.	It Comprises exchange of goods and services.
4. Risk	It involves maximum risk .	Less risk as compared to industry	Less risk involved .
5. utility	It Create form utility by changing the form or shape of materials.	It Create time , place utility by moving goods from producers to consumers.	It Create possession utility through exchange.

2. Explain the various kinds of industry ?



On the basis of activities

I. Primary industry –

- ✓ Primary industry is concerned with production of goods with the help of nature.
- ✓ It is a nature – oriented industry, which requires very little human effort.
- ✓ E.g. Agriculture, farming, forestry, fishing, horticulture, etc.

Primary industries are of two types.

1. Extractive industry

- ✓ These industries extract product from natural sources like - soil, air or water and
- ✓ Transformed into many other useful goods by manufacturing industries.
- ✓ Extractive industries include -
 - farming, mining, oil drilling, etc

2. Genetic industry

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

Genetic industries includes

- seeds , nursery companies, poultry, dairy, etc

II. Secondary Industry:

These industry concerned with manufacturing of new product by using the materials which have already been extracted at the primary stage.

For example –

- Mining of an iron ore is a primary industry,
- manufacturing of steel from raw irons is a secondary industry.

1. Manufacturing Industries

Manufacturing industries are engaged in transforming raw material into finished product with the help of machines and manpower .

e.g., paper from bamboo, sugar from sugar cane

Manufacturing industries may be divided on the basis of method of operation for production.

- **Analytical industry :** which analyses and separates different elements from the same materials, as in the case of oil refinery.

(Different things are manufactured out of one thing e.g., petrol, diesel, gasoline out of crude oil.)

- **Processing:** which involves successive stages for manufacturing finished products, as in the case of sugar, paper and steel from iron ores.

- **Synthetic:** Many raw materials are mixed to produce more useful product e.g., paints, cosmetics etc.

- **Assembling:** The parts manufactured by different industries are assembled to produce new and useful product e.g., computers, watches etc.

2. Construction Industry:

These types of industries involved in constructions of roads, bridges, buildings as well as tunnel and canals.

III. Tertiary or Service Industry:

- ✓ These industry does not produce goods but provide utility services and sell them at a profit.
- ✓ They help trade, industry and commerce.
- ✓ And also provide auxiliaries to trade like –
 - banking, insurance, warehouse, advertisement etc.

On the basis of Size

On the basis of size or scale of operations industries may be classified as follows

1. Micro Industries
 2. Small Industries
 3. Medium Industries and
 4. Large Industries
-

3. Briefly explain the auxiliaries to trade.

Auxiliaries to Trade:

All those activities which help in removing various hindrances in production and distribution of goods are called **auxiliaries to trade**.

The auxiliaries to trade includes

1. Trade

- Trade is an essential part of commerce.
- The term 'trade' is used to denote buying and selling of goods
- The person one who buys and sells goods called trader.
- Trade may be classified into -
 1. internal trade and external trade,
 2. wholesale trade and retail trade.

2. Transportation

- Transportation means the medium of transport through which men and material are moves from one place to another.
- Hence , goods are send to different places where they are demanded.

3. Banking and Finance:

- Now-a days we cannot think of business without bank.
- To start the business or to run it smoothly we require money.
- Business needs funds for –
 - acquiring assets, purchasing raw materials and meeting other expenses.
- Necessary funds can be obtained from a bank.

4. Insurance:

Business involves various types of risks.

- Factory building, machinery, furniture are protected against fire, theft and other risks.
- Materials and goods held in stock are subject to the risk of loss or damage.
- Employees are protected against the risks of accident and occupational hazards.
- Insurance provides a cover against all such cases.

5. Warehousing:

- Usually, goods are not sold or consumed immediately after production.
- This problem can be solved by storing the goods in warehouses.
- Special arrangement must be made for storage of goods to prevent loss or damage.
- Thereby price are maintained at a reasonable level through continuous supply of goods.

4. What are Characteristic Of Commerce ?

1. Economic activity –

- Commerce is an economic activity.
- A trader buys and sells the goods to earn profit and wealth..
- its is expressed in monetary term.

2. Exchange of goods and services –

- Commerce involves an exchange of goods and services for profit.
 - Goods may be produced for the purpose of resale to the consumers.
- Earning motive

3. Profit (earning motive)

- The motive of the commerce is to earn profit.
- Any activity , which does not have the incentive of profit, will not be part of commerce.
- Example – if a trader gives some goods as charity.

4. Creation of utility

- Commerce create place and time utilities to satisfy customer needs.
- It (commerce)transport goods from place of production to place of consumption to create place utility.
- It store products for future uses which create time utility

5. Regularity of transport

- Transaction should be done regular .
 - commerce involves exchange , distribution and promotion of products, It is done a regular basis.
-

5. Write short note on :

1. analytical industry
2. genetic industry
3. construction industry

1. Analytical industry :

- Analytical industries refer to those manufacturing industries
- which produce many types of products by analyses and separates different elements from the same materials.
- Different things are manufactured out of one thing
- e.g., petrol, diesel, gasoline out of crude oil.

2. Genetic industry

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

Genetic industries includes

- seeds , nursery companies, poultry, diary, etc

3. Construction Industry:

These types of industries involved in constructions of –

- roads, bridges, buildings as well as tunnel and canals.
-

Unit II – forms of business organization

Chapter -4 sole proprietorship

Very Short Answer Questions

1. Who is called a Sole Trader?

The person who invests his own capital, use his own skill and intelligence in the management of it affair of the business and is solely responsible for the result of its business is called sole trader or sole proprietor.

2. What are the Non-corporate enterprises?

Non – corporate business, the ownership and business are not separated.
Owner can have direct control over the business.

1. sole proprietorship
 2. partnership
 3. joint hindu family business
-

4. What are the Corporate enterprises?

- ✓ Corporate enterprises, the ownership is separated from its management .
 - ✓ i.e., the owner cannot take direct control over the business.
1. Government companies
 2. Joint stock companies
 3. Co-operatives.
-

5. 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 cafe
- a) Grocery store
 - b) Medical store
 - c) Craft centre
 - d) Internet café

The following are the most suitable form of sole proprietorship organization, because low capital investment , less risk involved and quick decision making.

Short answer

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

- A sole trader can maintain business secrets.
 - The maintenance of utmost secrecy is of vital importance for the success of a business.
 - He alone control over all affairs of the business.
 - Being the sole proprietor, he is not expected to share his trade secrets with anybody else.
 - In this form of organisation, there is also no need to disclose accounts or any other material facts to the public.
-

2. What is unlimited liability?

- The liability of the proprietor for the debts of the business is unlimited.
- 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.
- The unlimited liability of a sole proprietor may affect his –
 - Enthusiasm and novel ideas in business.

3. Write any three characteristics of Sole Proprietorship.

1. Ownership by one man

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

2. Unlimited Liability

- When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.
- The creditors have the right to recover their dues even from the personal property of the Proprietor.

3. Maintenance of Secrecy

- Sole trader manages all the affairs of the business,
 - Hence he can maintain the business secrecy easily.
-

4. Give some examples of Sole trading business.

The person who invests his own capital, use his own skill and intelligence in the management of it affair of the business is called sole trader or sole proprietor.

The following are the example

1. Handicrafts
 2. Tailoring shops
 3. Retails trade
 4. Filigree work
 5. Petty shop
 6. Beauty parlour
 7. Fruit seller
-

5. Define Sole trading business.

According to Wheeler,

“ the sole proprietorship is that form of business organisation 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”.

Long Answer Questions

1. Explain the characteristics of Sole trading business.

1. Ownership by one man

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

2. Freedom of work and Quick Decisions

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

3. Enjoying entire profit

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

4. Absence of Government Regulation

- A sole proprietor concern is free from Government regulations.
- No legal formalities are required in its formation, management the business .

5. No Separate Entity

- The sole trader and the business are one and the same.
- The sole trading concern comes to an end with death, disability, insanity and insolvency of the individual.

6. Unlimited Liability

- When his business assets are not sufficient to pay off the business debts he has to pay from his personal property.
- The creditors have the right to recover their dues even from the personal property of the Proprietor.

7. Maintenance of Secrecy

- Sole trader manages all the affairs of the business,
 - Hence he can maintain the business secrecy easily.
-

2. What are the advantages of Sole trading business?

1. Easy Formation

- No legal formalities are required to initiate a sole trading concern.
- Any person capable of entering into a contract can start with necessary resources for it.

2. Incentive to Work hard

- There is a direct relationship between effort and reward.
- The entire profit can be taken by sole trader without sharing with anybody else .

3. Small Capital

- Small capital is the specific advantage of sole proprietorship.
- Sole proprietor can start business with small amount of capital.

4. Credit Standing

- Since his private properties are held liable for the business debts
- He can get more financial assistance from others.

5. Personal Contact with the Customers

- sole proprietor knows taste and preferences of the customer.
- He can supply goods according to their preference of the consumer .

6. Flexibility

- It is a highly flexible type of organization.
 - The sole trader can easily adjust and change the requirements of his business
-

3. What are the disadvantages of Sole trading business?

The following are the disadvantages of a Sole Trader.

1. Limited Capital

- The resources of a sole proprietor are limited
- the capital is contributed by one single individual have
- Therefore business operations, on a limited scale.
- Hence the size of the firm remains small

2. 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.

3. Unlimited Liability

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

4. Lack of Specialisation

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

5. Hasty Decisions

- Sole proprietor is more likely to take hasty decision as he need not consult anybody else.
 - The hasty decisions may result in loss and affect the sole trader business.
-

Chapter – 5 Hindu Undivided Family And Partnership
Very Short Answer Questions

1. Who is called KARTA?

All the affairs of a Joint Hindu Family business are controlled and managed by the head of the family, is known as 'Karta' or 'Manager'.

2. What are the two schools of Hindu law?

1. **Dayabhaga Law** –(According to Law, the right of property devolves on the coparceners by succession and not by birth.)
 2. **Mitakshara law**- (according to law ,there is a son's right by birth in the property of joint family.)
-

3. Who is a called a Partner?

The person one who enter into partnership are individually called partners and collectively known as firm .

4. Who is a Sleeping partner?

The partners who merely contribute capital and does not take active interest in the conduct of the business is called sleeping or dormant partners.

5. Who is a Minor?

Under the Indian Majority Act, person who has not completed 18 years of age is a minor.

6. How many types of Dissolution?

Dissolution of partnership firm means putting end to the relationship among the partners. They are two of dissolution

1. Dissolution of firm
 2. Dissolution of partnership
-

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”

1. A Joint Hindu Family comprises of - Father, mother, sons, daughters, grandsons and granddaughters.
 2. They hold the property jointly.
 3. They do the business under the control of the head of the family.
 4. The head of the family is known as Karta.
 5. The members of the family is known as coparceners.
-

2. Write any 3 features of HUF.

1. Governed by Hindu Law

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

2. Management

All the affairs of a Joint Hindu Family business are controlled and managed by the head of the family, is known as 'Karta' or 'Manager'.

3. Membership by Birth

- The membership of the family can be acquired only by birth.
 - As soon as a child is born in the family, that child becomes a member.
 - Membership requires no consent or agreement.
-

3. Explain the nature of liability of karta.

- The head of the family is known as Karta
 - All properties of the business maintained by the Karta
 - He pay taxes on the behalf of the family
 - Karta represents the family in all matters including legal, religious and social matters.
-

4. What is the meaning of Coparceners?

- The word coparcener has been used very widely in relation to the Hindu law and the HUF.
 - In relation to HUF property, a coparcener is a person who acquires a right in the property by birth and demand partition in the HUF property.
 - Prior to the amendments made by the Hindu Succession (Amendment) Act, 2005,
 - only male members of a family had a right to the Ancestral property thus only male members were called coparceners.
-

5. Define Partnership.

According to **Prof. Haney**, "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".

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

- ✓ Partnership is the outcome of an agreement between two or more persons.
 - ✓ The minimum number of member is 2 and
 - ✓ maximum to 10 in the case of banking business and
 - ✓ 20 in the case of all other business.
-

7. What is the meaning of Partnership Deed?

- A partnership Deed is a written agreement containing all the terms and conditions of partnership.
 - it is important to have a written agreement in order to avoid misunderstandings;
 - Drafted partnership deed helps in ironing out the develop among partners and ensuring smooth running of the partnership business.
 - It should be properly stamped and registered.
 - The partnership agreement is also known as Partnership Deed or Articles of Partnership
-

8. What is meant by Joint and Several Liability?

- 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,.
 - The creditors can recover their claims from all the partners.
 - They can take action against the private properties of any one of the partners to get back their dues.
-

9. Who is called a Secret partner?

Sleeping Partner or Dormant Partner

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

1. What is the implied authority of Karta?

Note -(Implied authority, also known as “usual authority,” is the authority of an agent acting on behalf of another person or entity)

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.

1. **Power to manage** – karta has the power to manage property , business affairs and family the way he like.
 2. **Power to represent** – karta represent the family in all matters - legal, social, religious.
 3. **Power to get income** – karta has power to get income arising from joint family business. Co-parcener , agent whoever collect the income should hand over to karta
 4. **Power to compromise** – kara has power to compromise all disputes relating to family property , debts, other transaction.
 5. **Power to contract debts** - the creditor can make the entire joint family liable for such debts - karta can execute a promissory note on behalf of the family.
 6. **Power of alienation** – karta has no power to dispose the joint family property without the consent of all other members.
-

2. What are the contents of Partnership Deed? Any 10

A partnership Deed is a written agreement containing all the terms and conditions of partnership.

Content of partnership deed

1. Name of the firm
2. Names and addresses of all partners.
3. Nature of business proposed to be carried on by the firm
4. Arbitration of duties
5. Account keeping
6. capital contributed by each partner.
7. Withdrawal from firm.
8. Date of agreement and principal place of business.
9. Duration of partnership.

10. Interest on capital and interest on drawings.
 11. Loan from partners
 12. Profit / loss sharing ratio.
 13. Procedure for admission or retirement of partner
 14. Salary and commission to partner
 15. Retirement
 16. Goodwill valuation
 17. Dissolution procedure
-

3. Explain the types of dissolution of partnership firm.

Dissolution of a partnership firm taken place in two ways.

- I. without the order of the court and
- II. By order of the court.

I. Without the order of the court

1. By agreement or mutual consent

A firm may be dissolved when all the partners agree to close the affairs of the firm by Contract or by agreement..

2. By insolvency of all the partners but one

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

3. When the objective becomes illegal

- If the partnership carried any illegal business,
- The partnership firm is automatically dissolved.

4. By notice of dissolution

- In case of partnership-at-will.
- Any partner by giving a notice in writing to all the other partners of his intention to dissolve the firm, thereby the firm will be dissolved.

5. On certain contingencies:

- Death of a partner.
- Expiry of the duration of partnership.
- Completion of the specific venture
- Adjudication of a partner as an insolvent
- Retirement of a partner
-

II. Dissolution through court

The court may order for dissolution of a firm at a suit of a partner in any of the following circumstances. (On the filing of suit by a partner, the court may dissolve the firm on the following grounds)

1. When a partner becomes insane
2. Permanent incapacity of any partner
3. Misconduct of any partner
4. Breach of agreement which makes the business impracticable
5. Transfer of interest to third person
6. Continued loss
7. When the court finds that it is just and equitable to dissolve the firm

4. Write any three differences between Dissolution of Partnership and Dissolution of Firm.

<u>Dissolution of Partnership</u>	<u>Dissolution of Firm</u>
1. Dissolution of partnership means the termination of the original partnership agreement.	1. Dissolution of firm means dissolution of partnership. On dissolution of firm, partnership business comes to an end.
2. A partnership is dissolved by insolvency, retirement, expiry or completion of the term of partnership	2. A firm is dissolved by partners mutually or by order of the court.
3. In the event of dissolution of partnership, asset and liabilities are revalued and balance sheet is drawn.	3. In the event of dissolution of firm, asset and liabilities are realized and liabilities are paid off.
4. The business will continue after dissolution of partnership.	4. The business cannot be continued after dissolution of partnership firm.
5. Revaluation account is prepared to ascertain profit and loss.	5. Realization account is prepared to ascertain profit and loss.

5. Write the procedure for Registration of a Firm.

under partnership Act, 1932. Registration of a partnership firm in India is not compulsory, It is only optional .

But the disabilities of non-registration virtually make it compulsory.

Procedure for Registration:

The statement should contain the following particulars.

1. Name of the firm
 2. Principal place of its business
 3. Name and address of each partner
 4. Date of admission of each partner
 5. Date of commencement of business of the firm
 6. Duration of the firm
- This statement must be dully signed by all the partners and
 - It should be produced (submitted) to the Registrar of Firm along with the necessary registration fee.
 - Any change in the above particulars must be communicated to the Registrar within 14 days of such alteration.
-

Chapter - 6 Joint Stock Company

Very Short Answer Questions

1. What are the different types of companies?

1. Chartered companies
 2. Statutory companies
 3. Association not for profit
-

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

4. Explain any two characteristics of a company.

1. Separate legal entity

- Under Incorporation a company becomes a separate
- It has its own seal and its own name,
- In short, it is considered as an artificial person created by law.

2. Perpetual succession

- The continuation of company does not affected by death, disability of members or the transfer of shares to others.
 - A company is created by law and it can be windup only through legal process.
-

5. What is meant by Chartered Company?

Chartered Companies

Chartered companies are established by the King or Queen of a country.

Examples:

- East Indian Company,
 - Bank of England,
 - Hudson's Bay Company.
 - The Companies Act does not apply to them.
 - Such companies cannot be started in India.
-

Short Answer Questions

1. What are the advantages of Companies? (Any 3) pg -49

1. Large Capital

- A joint stock company secure(requires) a Large amount of capital is necessary for conducting business on a large scale.
- For e.g. Reliance has invested more than 25,000 crore in its telecom venture.
- Raising such huge amount of funds is impossible in a soletradership or partnership

2. 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.

3. Transferability of Shares

- Transaction of Shares between two individuals is easy.
- Any shareholder can easily convert his shares into money by selling his shares.

4. Perpetual Succession(Continuation of life)

- A company has perpetual or continuous existence.
 - Members may come and go, but the company continues to exist.
 - This ensures continuity in operations and the company can undertake long term investments.
-

2. What is meant by Private Company?pg - 52

Private Company

- Private limited company is formed with minimum - two shareholders and two directors,
- It requirement authorised or paid up capital minimum of Rs.1,00,000
- In Private limited company by its articles of association
 - restricted in right to transfer its shares and
 - also prohibits any invitation to the public to subscribe for any securities of the company.
- 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.
- A private Limited company can be formed in three variations.
 1. as a private limited company
 2. As a small private limited company;
 3. As a One Person Company (OPC).

Ex. Scientific publishing services private Limited, Chennai.

3. What is meant by Government Company? Pg -53

Government Companies

- ✓ A public enterprise incorporated under the Indian Companies Act, 1956 is called a government company.
- ✓ These companies are owned and managed by the central or the state government .
- ✓ According to Indian Companies Act 1956, “Government company means any company in which not less than 51% of the paid-up share capital is held by -
 1. The Central Government; or
 2. State Government ; or
 3. Partly by the Central Government and partly by one or more State Governments.
- ✓ Subsidiary of a Government company shall also be treated as a Government company.

Examples: Steel Authority of India, Indian Oil Corporation, Oil and Natural Gas Corporation, Bharath Heavy Electricals.

4. What is meant by Foreign Company? Pg- 54

Foreign Companies

- A foreign company means a company which is incorporated in a country outside
 - 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.
 1. A certified copy of the -
 - charter
 - Memorandum and articles
 2. The full address of the registered office of the company.
 3. The full address of the principal place of business in India
 4. A list of directors and secretary
 5. The name and address of any person resident of India
-

Long Answer Questions

1. What are the contents of Memorandum of Association? pg – 55

1. Name Clause

- It requires to state the legal and recognized name of the company
- The name of the company which is allow to be registered does not similarities with the name of an existing Company.

2. Situation Clause

- It requires to show the physical location of the registered office of the company.
- The registered office should be established prior to commencing business activities.

3. Objective Clause

- It requires to summarize the main objectives of the company
- The objectives should be free of any provisions or contravene laws or public good.

4. liability Clause

- It state the extent to which shareholders of the company are liable to the debt obligations of the company
- In the event of the company dissolving.

5. Capital Clause

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

6. Association Clause

- The association clause confirms that shareholders bound by the MOA
 - It is required to sing a MOA by -
 - seven members in public company and
 - two member in case of private company.
 - The sighing must be done in the presence of witness who must also append his signature.
-

2. What are the contents of Articles of Association? Pg -56

Articles of Association is an important document as it contains the rules and regulations for its internal management of the company.

Contents

1. Amount of shares, capital, value and type of shares
2. Borrowing powers of the company
3. Declaration of dividends
4. Manner of transfer of shares
5. Procedures of making calls on shares.
6. Procedure for conducting proxy, quorum, meetings etc.
7. Procedures concerning keeping of books and audits
8. Rights of shareholders regarding voting, dividend, return of capital

9. Rules regarding issue of shares and debentures
 10. Rules regarding the appointment, remuneration, removal of directors
 11. Seal of the company
 12. Procedures regarding the winding up of the company.
-

3. What is meant by Prospectus? Pg - 56

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.

Content

1. prospectus contains the main objectives of the company
 2. the name and addresses of the signatories of the Memorandum of Association
 3. The number of shares held by shareholder .
 4. The name, addresses and occupation of directors and managing directors.
 5. The number and classes of shares and debentures issued.
 6. The qualification share of directors and
 7. The name and addresses of the vendors of any property acquired by the company and the amount paid or to be paid.
 8. Particulars about the directors, secretaries and the treasures and their remuneration.
 9. The amount for the minimum subscription.
 10. The estimated amount of preliminary expenses.
 11. Time and place where copies of balance sheets, profits and loss account and the
 12. auditor's report may be inspected.
 13. If any profit or reserve has been capitalized, the particulars of such capitalization will be stated in the prospectus.
-

4. what is meant by Multi National Company? Pg – 55

A Multi National Company (MNC) is a huge industrial organisation which,

1. Operates in more than one country
2. Carries out production, marketing and research activities on international Scale in those countries.
3. Seeks to maximise profits world over.
4. A domestic company or a foreign company can be a MNC.
5. Such a company has factories, branches and in more than one country.

6. It is also known as a

- Transnational corporation,
- Global giant
- World enterprise
- International enterprise

Examples:

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

7. What is meant by Holding and Subsidiary company? Pg - 54

Holding and Subsidiary company

As per Section 2(87) “subsidiary company” or “subsidiary”, in relation to any other Company, means a company in which the holding company.

1. controls the composition of the Board of Directors; or
2. exercises or controls more than one half of the total share capital either at its own or together with one or more of its subsidiary companies:

Where a company holds more than 51% of share capital of another company is called

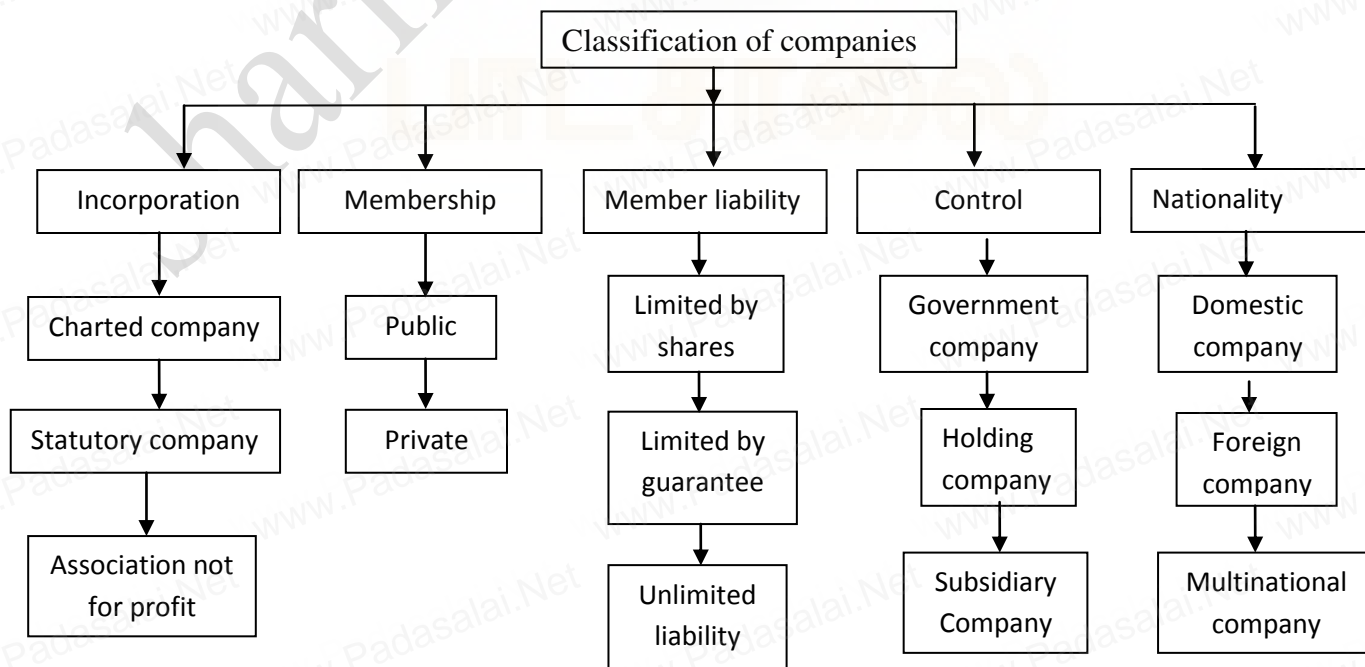
Holding company and the latter company is called **Subsidiary company**.

Examples:

- H Ltd., holds more than 50% of the equity share capital of S Ltd.
- Now H Ltd., is the holding company of S Ltd., and
- S Ltd., is the subsidiary of H Ltd.

Addition question

1. Draw a chart on classification of companies . pg. 51



2. Write short on mixed ownership company .pg.no. 54

- ✓ These companies are registered as private limited companies though their management and their control vest with the government.
 - ✓ In this type of organization both the government and private individuals are shareholders.
 - ✓ These companies are called as a **mixed ownership company**.
-

3. What is table A? pg.56

- ✓ Table A is a document containing rules and regulations for the internal management of a company.
 - ✓ A company which does not have separate AOA may adopt Table A.
-

4. What is common seal ? Pg.49

- ✓ A company is an artificial person ,it acts through its Board of Directors (for carrying out its activities and entering into various agreements)
 - ✓ The common seal is the official signature of the company.
 - ✓ The name of the company must be engraved on the common seal.
-

5. What do you mean by statutory company(public corporation)? pg.52

- ✓ Companies are established by a Special Act made in Parliament/State Assembly.
- ✓ Constitution of company is specified in the MOA
- ✓ Rules relating to day-to-day management are specified in the (AOA).
- ✓ It is also known as a public corporation

Examples: Food Corporation of India, LIC, GIC, RBI, SBI, IDBI, Railways, Electricity, ONGC.

6. What do you mean by association not for profit? pg.52

According to Section 25, the Central Government may grant license, in the case of 'association not for profit

- with limited liability,
- without using the words 'limited' or 'private limited'

The association about be to formed as a limited company aims at the promotion of

- Sports, Commerce, Art, Science, Religion, Charity or any other useful
-

7. What short note public company ? pg. 52

- ✓ Public Company means a company which is not a private company.
 - ✓ It is said to be an association which
 - a) At least 7 members.
 - b) Minimum paid-up capital of rs. 5,00,000
 - c) It has right to transfer its shares.
-

Paragraph

8. Classify the companies on the basis of liability pg. 53

1. Company Limited by Shares

- A company limited by shares means, the liability of its members is limited to the amount remaining unpaid on the shares held by them.
- It may be either public companies or private companies.
- Such liability can be enforced either during the lifetime or during the winding up of the company.

2. Company Limited by Guarantee

- A company limited by guarantee, in which the liability of its members is limited by its Memorandum
- the members of the company may respectively undertake to contribute to the asset of the company in the event of its being wound up.
- Such companies are generally formed for the promotion of
 - Commerce, Art, Science, Religion, Charity or any other useful object.

3. Unlimited Company

- An unlimited company means the liability of members is unlimited
 - That is members of such companies may be required to pay company's losses from their personal property.
 - creditors cannot file a suit against the members directly., Because such companies have separate legal entity.
 - Therefore, the creditors will apply to the court for the winding up of the company
 - Then the liquidator will direct the members to contribute to the assets of the company to pay off its liabilities.
-

1. What do you mean by cooperative organization?

Co- operative is a private business organization that is owed and controlled by the people who use its products, suppliers or services.

Co –operative are formed by individuals who co-ordinate among themselves in their business activities.

2. Define Co-operation?

According to H.C. Calvert “ A co-operative society is a form of organization wherein persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interests of themselves”.

3. Who are Rochdale pioneers?

ROBERT OWEN started the first ever co-operative movement in the year 1844 with 28 members called as ROCH DALE society of Equitable pioneers.

It was a consumer’s co- operative society. The father of this movement was ROBERT OWEN

4. What is Credit cooperatives?

- ✓ **credit co-operative society** are formed with the object of providing short-term finance to members.
 - ✓ Agriculturist , artisans, industrial workers, salaried employees, ect., form these credit societies.
-

5. Is low taxes possible in Cooperative society? Pg . 63

Yes , low taxes possible in Cooperative society.

Cooperative society is a non – profit enterprise and also to promote co-operative movement, government provides various exemption and tax concession.

Short Answer Questions

1. What are the disadvantages of Cooperatives ? (Any 3) pg. 63

1. Limited funds

- a) Co-operative societies are promoted by the weaker Sections with limited membership .
- b) Therefore the funds available with the co-operatives are limited.
- c) They cannot expand their activities beyond a particular level because of the limited financial resources.

2. Over reliance on Government funds

- a) Co-operative societies are not able to raise their own resources.
- b) they are depend on government funds for funds (finance)
- c) Therefore co-operatives are not able to plan their activities in the right manner.

3. Government intervention

- a) Co-operative societies are subject to excessive government rules and regulation
 - b) This will affects the management of the co –operative .
-

2. write a note on Housing cooperatives. Pg. 67

- a) These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.
 - b) People who intend to build houses of their own .
 - c) These societies advance loans to members, repayable over a period of 15 to 20 years.
 - d) , on the other hand, construct houses for their members instead of granting loans to them.
 - e) The member-tenant, however, can own the houses after paying the cost.
-

3. What is meant by Producers cooperative society? Pg . 66

Producers Cooperatives

- a) Producer cooperatives are established and operated by producers.
- b) Producers can decide to work together it help increase -
 - marketing possibilities and
 - production efficiency.
- c) They are organized to process, market, and distribute their own products.

Example,

- Cooperative weavers' societies, Cooperative carpenting units, Cooperative match factories.
-

4. Write a note on cooperative farming societies. Pg. 67

Cooperative Farming Societies is formed by -

- a) The various farmers in a village pool their land together for the purpose of –
 - cultivation,
 - purchase the necessary inputs for the cultivation, and
 - market the crops.
- b) Such a society, elect office bearers on the bases of one member –one – vote
 - For the purpose of looks after the proper cultivation of new farm.

- c) Besides the farmers also contribute various productive assets as well as their labour for the purpose of cultivations.
 - d) Whereas they get rent for their
 - land ,
 - productive assets,
 - wages for their labour.
-

6. Write a note on industrial cooperatives.

Industrial co-operatives

- a) An industrial co-operative is organised by small scale producers.
 - b) Cooperative undertakings are a useful means of developing small scale and cottage industries.
 - c) Industrial co- operatives are very useful in obtaining raw materials, in improving the quality of products.
-

Long Answer Questions

1. What are the principles of cooperatives? (Any 5) pg . 61

Principles of Cooperation

1. Voluntary and Open Membership

- a) Cooperatives are - voluntary organizations,
- b) It is open for all people (able to use its services and willing to accept the responsibilities of membership).
- c) Co -operatives are formed - without gender, social, , political or religious discrimination.

2. Democratic Member Control

- a) Cooperatives are - democratic organizations
- b) It is controlled by their member- (those who buy the goods or use the services of the Cooperative.)
- c) who actively participate in - setting policies and making decisions.

3. Autonomy and Independence

- a) Cooperatives are - autonomous, self-help organizations- controlled by their members.
- b) If the co-operative enters into agreements - with other organizations - or raises capital (from external sources,)
- c) it is done on the basis of - democratic control- by the members - of the co- operatives.

4. Education, Training, and Information

- a) Cooperatives provide - education and training - for members, and
- b) Elected - representatives, managers and employees - for the development - of their cooperative.

5. Cooperation among Cooperatives

- a) Cooperatives serve their members - and strengthen the cooperative movement - by working together .
 - b) Through local, national, regional and international structures.
-

2. What are the advantages of cooperative society? Pg. 62

1. Voluntary organization

- a) cooperative society- is the voluntary association person.
- b) The membership fee - is kept low - so that everyone can - join and get benefit - from cooperative societies.
- c) At the same time, - there is no entry or exit barriers.

2. Easy formation

- a) Cooperatives can be formed much easily
- b) With minimum 25 members - who have attained majority- can join by - observing simple legal formalities.

3. Democracy

- a) A co-operative society is - run on the principle of - ‘one man one vote’.
- b) It implies that all members - have equal rights in managing - the affairs of the enterprise.
- c) Members with money power - and holding majority of shares.- cannot dominate the management .

4. Limited liability

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

5. Separate legal entity

- a) A cooperative society enjoys - separate legal entity
- b) Therefore its continuance - not affected by the death, insanity or insolvency - of members.
- c) It enjoys perpetual existence.

6. Tax concessions

- a) Cooperative society is a non – profit enterprise and- also to promote co-operative movement,
- b) Therefore ,the government will provides various - exemption and tax concession.

7. What are the types of Cooperative society? Pg . 66

1. Consumer's Co-operatives

- a) Consumer co-operative are - organized by consumers
- b) To achieve better prices or quality - in the goods and services they purchase.
- c) They also supply - essential commodities - through public distribution system (PDS)

Example – students cooperative , cooperative provision store .

2. Producers Cooperatives

- a) Producer cooperatives are - established and operated - by producers.
- b) Producers can work together or as separate entities .
- c) It help in increase –
 - marketing possibilities and
 - production efficiency.

- d) They are organized to - process, market, and distribute their own products.

Example, - Cooperative weavers' societies, Cooperative carpentering units, Cooperative match factories.

3. Marketing Cooperatives

- a) Marketing cooperative are - associations of small producers formed – for the purpose of marketing - their produced product..
- b) It perform certain marketing function such as –
 - grading, warehousing, advertising etc.,
- c) They secure better prices - for their members by- transporting goods even to - distant markets.

4. Credit Cooperatives

- a) Cooperative credit societies are - formed for the purpose of - providing short term Financial- to their members .
- b) Credit societies may be -
 - ✓ Agricultural credit societies or
 - ✓ non-agricultural credit societies.

. Example - Agriculturists, artisans, industrial workers, salaried employees, etc

5. Housing cooperative

- a) Housing cooperative are meant - to provide residential accommodation - to their members on ownership basis or on rent.
- b) People who intend to build houses of their own .
- c) These societies advance loans - to members,- repayable over a period of 15 to 20 years.

8. Write a note on Consumer cooperative society. Pg. 65

Consumers Cooperatives

1. Consumer cooperatives are organized by consumers
2. to achieve better prices or quality in the goods or services they purchase.
3. Consumer cooperative exists - to deliver goods or services - rather than to maximize profit – from selling those goods or services.
4. They also supply essential commodities through Public Distribution System (PDS).
5. . Credit unions are essential for cooperatives people for banking services.

Example – students cooperative , cooperative provision store .

9. Whether misuse of funds is possible in co-operatives. Pg. 64

Yes, there is a possibility of misuse of funds in co-operatives

- If the members of the managing committee are corrupt
- they can swindle the funds of the co-operative society.
- Many cooperative societies have faced financial troubles and
- Also closed down because of corruption and misuse of funds.

Misuse of funds is the major disadvantage of cooperatives.

Addition question

1. What are the examples of cooperative societies? pg. 61

1. Indian Coffee House
 2. Mother Dairy
 3. Indian Farmers Fertilizers Cooperative Limited
 4. The Indian Airlines (Cargo) C.G.H.S.Ltd.
-

2. Rural credit Societies pg. 63

- ✓ It is located in rural areas.
 - ✓ It secures funds by way of selling shares and accepting deposits from
 - members and non members.
 - ✓ The liability of these members is unlimited.
-

3. What are the types of cooperative pg. 65

1. Credit cooperative –
agricultural credit society and non agricultural credit society
 2. Non credit cooperative
-

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.

1. Low cost labour
 2. Quality product
 3. Proper use of idle resources
-

3. Give two examples of MNC.

1. Bata India
 2. Colgate India
 3. Maruthi Suzuki
-

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

1. Microsoft corporation
 2. Nokia corporation
 3. Coca – cola
 4. Sony corporation
-

Short Answer Questions

1. What are the advantages of MNC's?

1. Low Cost Labour

- a) MNC set up to facilitate to produce goods/service at lower cost.
- b) It gains cost advantage and sells its products at low cost.
- c) This is not available to smaller companies which operate at regional level.

2. Quality Products

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

3. Proper Use of Idle Resources

- a) Because of their advanced technical knowledge,
 - b) MNCs utilise the physical and human resources of the host country.
 - c) This results in an increase in the National Income of the host country.
-

2. What are the disadvantages of MNC's?

1. Danger for Domestic Industries

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

2. Transfer of Outdated Technology

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

3. Deprivation of Job Opportunity of Local People

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

4. Economic Growth of Home Country

- a) An investment in host countries is more profitable,
 - b) MNCs may neglect home countries industrial and economic development.
-

Chapter – 9 Government organization

Very Short Answer Questions

1. State the different types of public sectors enterprises.

- 1. Departmental undertaking
 - 2. Statutory corporation
 - 3. Government company
-

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

- 1. ultimate responsibility
 - 2. governmental financing
 - 3. accounting and audit
 - 4. managed by civil servants
-

3. Give two examples for each of the following:

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

1. Private sector enterprises

- a) Reliance industries Ltd
- b) Wipro Ltd

2. Global enterprises

- a) Unilever limited
- b) Coca – cola corporation

3. Public enterprises

- a) Air India
 - b) Indian Railways
-

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

- 1. Departmental undertaking
 - 2. Statutory corporation
 - 3. Government company
-

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

- 1. Mineral based industries
 - 2. Craft based industries
 - 3. Tourism
 - 4. Marine aquaculture and agro – based medicinal herbs and minor forest produce.
-

Short answer questions

1. What are the different kinds of organisations that come under the public sector?

1. Departmental undertaking

- a) These enterprises are established as departments of the ministry of a government.
- b) These undertaking may be under the central government or the state government.

Example -Railways, B.S.N.L.,(telephones) Broad castings.

2. Government Companies

- ✓ A public enterprise incorporated under the Indian Companies Act, 1956 is called a government company.
- ✓ These companies are owned and managed by the central or the state government .
- ✓ Government company in which not less than 51% of the paid-up share capital

Examples: Steel Authority of India, Indian Oil Corporation, Oil and Natural Gas Corporation, Bharath Heavy Electricals.

3. Statutory corporation

- ✓ Companies are established by a Special Act made in Parliament/State Assembly.
- ✓ It is also known as a public corporation

Examples: Food Corporation of India, LIC, GIC, RBI, SBI, IDBI, Railways, Electricity, ONGC.

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

The following are the some enterprise with public sector -

1. Departmental undertaking
 - a) Indian railway
 - b) Indian post and telegraph
 - c) B.S.N.L.,(telephones) Broad castings.
 2. Government company
 - a) Hindutan Steel Ltd,
 - b) Bharath Heavy Electricals Ltd
 3. Statutory corporation
 - a) Reserve Bank of India,
 - b) Life Insurance Corporation and Unit Trust of India
 - c) State trading corporation
-

4. Define Departmental unddertakings.

- a) Department form of organisation of managing state enterprises is the oldest form of organisation
- b) These enterprises are established as departments of the ministry of a government.
- c) Its administration is in the hands of the chief administrative officer of the ministry.
- d) Thse undertaking may be under the central government or the state government.

Example -Railways, B.S.N.L.,(telephones) Broad castings.

Long Answer Questions

1. What are the advantages and disadvantages of Departmental undertaking? Pg. 78

1.Easy Formation

- a) It is easy to set up a departmental undertaking.
- b) It is created by an administrative of the Government,
- c) There is no legal formalities required for its formation.

2. Direct and Control of Parliament or State Legislature

The departmental undertaking is directly responsible to the-

- Parliament or the State legislature

3. Secrecy Maintained

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

Disadvantages

1. Red – tapism

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

2. Incidence of Additional Taxation

- a) Losses incurred by a departmental enterprise are met out of the treasury.
- b) The additional taxation burden which falls on the common man.

3. Lack of Competition

- a) The control of these undertakings are given to the civil servants who may not have business outlook or commercial experience.
 - b) So, they run the undertaking in their own fashion without considering the sovereignty of the consumers.
-

2. What are the features of Public corporation? (Any 5) pg. 79

1. Special Statute

- A public corporation is created by a special Act of the Parliament or the State Legislature.
- The Act defines its powers, objectives, function in relation with the ministry & Parliament.

2. Separate Legal Entity

- A public corporation is a separate legal entity with perpetual succession and common seal.
- It can own properly; can make contracts and file suits, in its own name.

3. Capital Provided by the Government

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

4. 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.

5. 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.

6. Public Accountability

- A public corporation has to submit its annual report to the Auditor General of India.
- Annual report and audited accounts of a public corporation are presented to the Parliament or State Legislatures.

3. What are the Features of Government company? (Any 5) pg. 81

Features of Government Company

1. Registration Under the Companies Act

- a) A Government company is formed and registration under the Companies Act, 1956. and
- b) it is subject to the provision of this act, like any other company.

2. Executive Decision of Government

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

3. Separate Legal Entity

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

4. Whole or Majority Capital Provided by Government

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

5. Majority of Government Directors

- a) Being in possession of a majority of share capital,
- b) the Government has authority to appoint majority of directors, of a government company.

6. Free from Procedural Controls

Government company is free from-

- budgetary,
- accounting and
- audit controls,

7. Accountability to the Parliament/ State Legislature

The Annual Report of a Government company must placed before the –

- Parliament or
 - State Legislature.
-

4. What are the advantages and disadvantages of Public corporation?

Advantages

1. Bold Management due to Operational Autonomy

- a) A public corporation is free from Governmental control.
- b) Therefore, Management can take bold decisions involving experimentation of business activities .
- c) It enjoys internal operational autonomy;

2. Legislative Control

- a) Affairs of a public corporation are subject to Committees of Parliament or State Legislature.
- b) It keeps check on management of the public corporation.

3. Tailor-Made Statute

- a) The special Act, by which a public corporation is created, to meet the specific needs of the public corporation;
- b) so that the corporation can function in the best manner to achieve its objectives..

Disadvantages

1. Autonomy and Flexibility, Only in Theory

There is a lot of interference in the working of a public corporation by Ministers, government officers and other politicians.

2. Rigid Constitution

- a) The constitution of a public corporation is very rigid.
- b) It cannot be changed, without amending the Statute of its formation.
- c) Hence, a public corporation could not be flexible in its operations.

3. 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.
 - It will effect managerial efficiency of public corporation
-

5. What are the features of Departmental organisation? (Any 5) pg.77

1. Ultimate Responsibility

- The ultimate responsibility of the departmental undertaking lies with the minister of the Parliament or State Legislature .
- The minister, in turn, delegates his authority downwards to various other management levels, in the departmental undertaking.

2. 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.

3. Accounting and Audit

The departmental undertaking is subject to the-

- normal budgeting, accounting and audit procedures,
- which are applicable to all Government departments.

5. Managed by Civil Servants

- The departmental undertaking is managed by civil servants,
- The service conditions as applicable to civil servants of the Government.

6. 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

Very Short Answer

1. What are the services included in Service businesses?

1. Banking service
 2. Insurance service
 3. Transportation services
 4. Communication service
 5. Warehousing service
 6. Advertising service
-

2. Write the meaning of 'Bank.'

Banking means - the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand and withdrawable by cheque, draft, pay order .

3. Briefly explain about Central Bank.

- a) central bank is owned by the Government of the country.
 - b) The control over the entire banking system of a country is vested with this apex bank .
 - c) In India the Reserve Bank of India (RBI) is the central bank.
-

Short Answer

1. Mention the importance of banking services. Pg. 86

- a) Banking service is the nerve center of industry and commerce .
 - b) By providing the money required for their regular functioning and development.
 - c) Central Bank also plays a most important role , which are owned by the Government of the country.
 - d) The control over the entire banking system of a country is vested with this apex bank .
 - e) Stability and growth of the economy are the main goals of a Central bank.
 - f) In India the Reserve Bank of India (RBI) is the central bank.
-

2. Explain the origin of RBI. Pg. 89

- a) In 1926 the Hilton-Young Commission or the Royal Commission on Indian Currency and Finance made recommendation to create a central bank.
- b) As a result, the RBI Act 1934 was passed and
- c) RBI was established with a share capital of Rs.5 crores divided into shares of Rs.100 each fully paid up.
- d) The entire share capital was owned by private shareholders.

- e) After independence, the Government of India passed Reserve Bank Act, 1948 and took over RBI after paying appropriate compensation to the private shareholders.
-

3. Who are the persons involved in RBI administration? Pg. 90

- i. The RBI is governed by a Central Board of Directors.
- ii. The 21 member board is appointed by the Government of India.

It consists of -

- a) One governor and four deputy governors
 - b) Two government officials
 - c) Four directors - one each from local boards.
 - d) Ten directors from various fields
-

Long Answer

1. Classify the various functions of Reserve Bank of India. Pg . 90

Functions of RBI

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

I. Leadership and Supervisory Functions

1. India's Representative in World Financial Institutions
2. Regulator and Supervisor of Indian Banking System
3. Monetary Authority
4. Closely Monitoring Economic Parameters

II. Traditional Functions

1. Banker and Financial Advisor to the Government
2. Monopoly of Note Issue
3. Banker's Bank
4. Controller of Credit and Liquidity
5. Quantitative Methods of Credit Control
 - a) Bank rate policy
 - b) Cash reserve ratio (CRR)
 - c) Statutory liquidity ratio (SLR)
 - d) Open market operation
6. Maintenance of Foreign Exchange Rate
7. Custodian of Foreign Exchange Reserves
8. Clearing House Services

III. Promotional Functions.

1. Nurturing Banking Habits among the Public
 2. Grievance Settlement Measures
 3. Agricultural Development
 4. Promotion of Small Scale Industries
 5. Facilitates Foreign Trade
 6. Supports Cooperative Sector
-

2. Explain the organizational structure of RBI. Pg. 90

1. The head office of the RBI is situated in Mumbai.
2. This central office has 33 departments in 2017.
3. It has four zonal offices in Mumbai, Delhi, Calcutta and Chennai
4. It also has 19 regional offices and 11 sub-offices.
5. The RBI is governed by a Central Board of Directors.
6. The 21 member board is appointed by the Government of India.

It consists of -

- a) One governor and four deputy governors
 - b) Two government officials
 - c) Four directors - one each from local boards.
 - d) Ten directors from various fields.
-

Note-

1. Trial balance collectively known as **Iymthogai**
2. Ledger known as **Peredu**
3. **Audh bank** renamed into Punjab national bank in 1894
4. **Bank of culcutta** was the first joint stock bank (1806)
5. **Bank of Calcutta** was renamed as the bank of bangal (1809)
6. **NABARD** – National Bank For Agriculture And Rural Development
7. **Presidential bank** – Bank Of Bombay(1840) and Bank Of Madras (1843) were established.
These banks are called **Presidential Banks**.
8. **RBI** is one the best central bank .

Chapter – 11 Types of Banks

Very Short Answer

1. Give the meaning of Commercial Banks pg . 97

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

Examples:

- a. State Bank of India
 - b. Karur Vysa Bank
 - c. Standard Chartered Bank
-

2. What do you mean by Industrial Banks? Pg. 97

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

(They do not accept deposits from the public. They subscribe the shares and debentures of the industries.)

Example –

- i. Industrial Finance Corporation of India – IFCI
 - ii. Small Industries Development Bank of India -SIDBI
-

3. Briefly explain about Correspondent Banks? Pg. 103

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

4. What are Foreign Banks? Pg 98

- a. Banks which have registered office in a foreign country and branches in India are called foreign banks.
- b. These banks open their offices in big cities and port towns only.

Example -

- i. Bank of America - The USA
 - ii. Barclays Bank - The UK
 - iii. Deutsche Bank - Germany
-

Short Answer

1. Write a short note on Local Area Banks, Give two examples. Pg. 100

- a) Local Area Bank (LAB) scheme was introduced by the RBI in August 1996.
- b) LABs are small private sector banks established in rural and semi-urban areas.
- c) Their main objective is to
 - Mobilise rural savings and
 - Accept deposits
 - Provide loans to weaker sections.

Exmaples:

- 1. Coastal Local Area Bank, Vijayawada, Andhra Pradesh.
 - 2. Krishna Bhima Smruddhi Local Area Bank, Mahabubnagar, Telangana.
-

2. What are the objectives involved in Regional Rural Banks? Pg. 99

- a) The RRBs were formed under the Regional Rural Bank Act 1976
- b) jointly by the Central Government, State Government, and a sponsor bank.
- c) Their share capital is contributed by these sponsors in the ratio of 50:15:35.
- d) Their objective is to –
 - develop rural economy
 - mobilise deposits from the rural public and
 - provide finance to rural entrepreneurs and farmers and try to avoid
- e) They are regulated and supervised by NABARD.

Examples:

- 1) Pallavan Grama Bank, Salem, Tamil Nadu
 - 2) Pandian Grama Bank, Thirumangalam, Madurai District, Tamil Nadu
-

3. Mention the purposes of Agricultural and Co-operative banks. pg. 98

- a. All cooperative banks in India are owned by its members, farmers, small traders and others.
- b. Cooperative banks are either urban based or rural based.
- c. (For both these structures the apex body is National Bank for Agricultural and Rural Development - NABARD.)
- d. All cooperative banks in Tamil Nadu are registered under Tamil Nadu Cooperative Societies Act 1983.
- e. They are controlled by both RBI and the State Government.
- f. Their foremost objective is-

- providing service to its members
- rural and agricultural development and
- not profit earning.

Examples:

- 1) National Agricultural Cooperative Marketing Federation of India Ltd.(NAFED)
 - 2) Tamil Nadu State Apex Cooperative Bank
 - 3) Madurai District Central Cooperative Bank Ltd.
-

Long Answer

1. Explain the various types of banks based on organization with examples pg. 103

On the basis of organisation the banking may be –

1. unit banking

- a) UNIT BANK operates with only one office, usually small bank.
- b) That provides financial services to its local community.
- c) A unit bank is independent and does not have any connecting banks — branches — in other areas

Example – the USA is the home of unit banking system.

2. Branch banking.

- a) It is refers to a bank that is connected to one or more other banks in an area or outside
- b) This bank provides all the usual financial services
- c) It is ultimately controlled by a larger financial institution.

Example - Chase in the U.S., owns Chase bank branches in over 20 states

3. Explain the types of banks based on ownership pattern. Pg. 102

BANKS OWNED BY GOVERNMENT

- Any bank in which not less than 51 percent (MORE THAN 51 %) of shares are owned by the Government are called Government banks or public sector commercial banks
- All nationalized banks (19 banks, in 2017), SBI and IDBI Ltd. are public sector commercial banks.
- Each corporation type bank is established by a separate Act of Parliament and is fully owned by Government of India.

BANKS OWNED BY PRIVATE PEOPLE

- IFCI, SIDBI, EXIM Bank, etc.
- All banking companies owned by private people are called private sector commercial banks.

- Their objective was to earn more profits.
 - Government paid the share capital of those banks to the private owners and took over as Government banks.
 - This is called nationalization of banks.
 - ✓ **Nationalised Banks:** Indian bank, Indian Overseas Bank, Oriental Bank of Commerce.
 - ✓ **b. Public Sector Banks:** State Bank of India, IDBI Bank Ltd. and all nationalized banks
 - ✓ **Private Sector Banks:** Lakshmi Vila Bank, Karur Vysya Bank, Kotak Mahindra bank.
-

Note

1. On the basis of lending practices - **pure banking or mixed banking.**
 2. On the basis of their products it can be **retail banking or wholesale banking**
 3. . On the basis of activities undertaken it may be **narrow banking or universal banking.**
 4. From the ownership point of view it can be **chain banking or group banking.**
-

1. Types of bank

- a) On the based of function of bank
 - b) On the status given by the RBI
 - c) On the ownership pattern
-

- ❖ LNB - land mortgage bank - act passed in 1930 – bank provide long term loans to farmers – redemption of debts - now know as SCARDBs
-

Chapter – 12 Functions of Commercial banks

Very Short Answer

1. What is Mobile Banking? pg. 113

- a. Most of the commercial banks have designed computer programs called apps
 - b. With this app in the smartphone a customer can operate his account transactions from anywhere.
 - c. This service is known as mobile banking.
-

2. Briefly explain the need for Debit card. Pg. 114

- ✓ ATM card is also called debit card.
 - ✓ This card is used purchase of goods and services anywhere in India,
 - ✓ VISA card and Maestro card services are offered by Visa Corporation and Master card both from the USA.
-

3. Briefly explain the term - Credit card. Pg. 114

- Banks issue credit cards to customers
 - With this card, the holder can purchase goods and services on credit at any shop in India.
 - No interest is charged If the dues are paid within the stipulated time.
 - . The credit limit is fixed on the basis income of the cardholder.
-

4. What do you mean by ATM? Pg. 113

- A customer can withdraw money anytime, anywhere in India from the ATM machine using the ATM card .
 - The machine also shows the balance available in the customers' account, provides statement print of the few past transactions, etc.
-

5. Write a note on - ECS. Pg.112

- Electronic Clearing Services (ECS) - was launched by the RBI in 1995.
 - It is an electronic method of fund transfer from a bank to another bank.
 - ECS credit can be used to credit salary, dividend, interest, pension etc. and
 - ECS debit is used to debit monthly telephone bills, electricity bills, equated monthly installments (EMI) payments.
-

Short Answer

1. What is E-Banking?

1. Banking through internet is known as E-Banking or internet banking.
 2. Transfer of fund directly from one account to another, rather than by cheque or cash.
 3. This facilitates the customer in
 - Transfer of funds,
 - Online payment
 - Account enquiry
 - Request for statement, etc.,
 4. E-banking comprises of -
NETF, RTGS, ECS, CORE BANKING, Mobile banking
-

2. Write a short note on - RTGS.pg . 112

- a) It was launched by the RBI in 2013.
 - b) RTGS defined as the continuous settlement of funds transfers individually on an order by order basis
 - c) The transfer of money and securities between one bank and another bank on **Real time** and on Gross settlement basis.
 - d) Minimum limit for RTGS transaction is 2 lakhs.
-

3. Briefly explain the Diversified banking services of commercial banks. Pg. 111

1. Competition in the banking industry has reduced its profit .
 2. Therefore the commercial banks offer new financial services and banking services is also called universal banking.
 3. Services such as
 - a) bank assurance
 - b) Merchant banking
 - c) Retail banking
 - d) Housing finance
 - e) Mutual fund
 - f) Venture capital fund
 - g) Factoring
-

4. Explain - NEFT. Pg 112

- ✓ Under this **Electronic Funds Transfer** system, transfer funds from any bank to any person account with any other bank branch across (in) India.
 - ✓ Individuals and institutions which maintain accounts with a NEFT
 - ✓ Both NEFT and RTGS use IFSC (Indian Financial System Code) – a 11 digit alphanumeric code,
 - ✓ IFSC is provided by IDRBT (Institute for Development & Research on Banking Technology), Hyderabad.
-

5. What do you mean by Core Banking Solutions? Pg. 113

- ✓ 'CORE' stands for 'Centralized Online Real time Exchange'.
 - ✓ A customer can deposit and withdraw money through cheque at any branch of that bank throughout the world.
 - ✓ 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.
-

Long Answer

1. Discuss the various primary functions performed by the commercial banks. Pg. 106- 109

The primary functions of a commercial bank are -

I. Accepting Deposits

Commercial bank accept deposit from public. The deposit are classified into

1. Demand deposits

These deposit are repayable to the customer on their demand. They are

b. Saving deposit -

- ✓ This account is open by an individual to deposit their saving in to account.
- ✓ The rate of interest is lesser than the fixed deposit .

c. Current deposit –

- ✓ This account is suitable for business institutions.
- ✓ No interest
- ✓ Overdraft facility is available
- ✓ No limit on deposit and withdrawals

2. Time deposit

The deposit is made for fixed period or deposit made every month or the agreed period.

They are

a. Fixed deposit

- ✓ Deposit is made for fixed period (1 months to 10 years)
- ✓ Interest rate is high
- ✓ Penal is charged on pre- mature withdrawal.

b. Recurring deposit

- ✓ Deposit is made on every month or every year or agreed period.
- ✓ The amount can be returned to customer at the end period along with the interest.

II. Granting Loans and Advances.

Advance loan and lending money is the another important function of commercial bank in order to earn money.

1. Advance

- a. Overdraft
- b. Cash credit
- c. Discounting of bills

2. Loans

- a. Housing loan
- b. Consumer loans
- c. Vehicle loan
- d. Education loan
- e. Jewel loan

III. Creation of Credit

- Apart from the issuing currency money by RBI.
- The credit money created by the commercial banks is – channelized under the guidance of the RBI.

2. Explain the various secondary functions of commercial banks. Pg. 109 -111

Secondary function of commercial bank can be classified into

I. Agency function

Bank act as agents of customers and provide certain service.

1. **Transfer Of Funds** - bank issue demand drafts, cheques to transfer funds.
2. **Periodic Payment Of Premiums, Rent, Etc.** - bank undertakes payment of bill, premium , rent of customer through ECS

3. **Preparation Of Income Tax Return** – bank prepare annual tax return and provide advice to the customer.
4. **Dealing in foreign exchange** – bank buy and sell foreign currencies on behalf of customer.
5. **Conduct Share Market Transactions** - Demat account facilitate bank to conduct online purchase and sale of securities on behalf of customer.
6. Bank Collection And Payment Of Cheques

II. General utility function

1. **Issue of demand draft and banker's cheque** - to the customer for the payment of educational fees, etc.
2. Accepting bills of exchange on behalf of customers
3. **Safety lockers** – valuable document, jewels can be kept under vaults room .
4. Letter of credit – this document is given by bank on behalf of importing to the exporter guaranteeing payment for the imported goods.
5. Travelers cheque
6. Gift cheque
7. Reference service

Additional question

1. Definition of Cheque:

According to Negotiable Instruments Act 1881, “cheque is a bill of exchange drawn on a specified banker payable on demand”.

2. Crossing of Cheque:

Drawing two parallel transverse lines on the left top of the cheque. It implies that the money will not be paid over the counter but through bank account only.

3. IMPS –

Immediate Payment Service was launched by the National Payments Corporation of India

4. Debit Cards

ATM card is also called debit card. This card is more useful in purchase of goods and services anywhere in India, VISA card and Maestro card services.

5. Credit Cards

- 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.
- The credit limit is fixed based on the income of the cardholder.

Padasalai
Chapter – 13 warehousing
Very Short Answer

1. What is Warehouse? Pg. 118

- a) Warehouse is a place where goods are stored for future use and act as distribution centres.
- b) It designed depending upon the nature of the products .

Example -

1. Cold storage need for perishable goods like vegetable and fruits.
 2. Tanks need for petrol, oil.
-

2. List the various types of Warehouses. Pg. 119

I. On the basis of ownership

1. Private warehouses
2. Government warehouses
3. Public warehouses
4. Co-operative warehouses
5. Bonded warehouses
6. Institution warehouses

II. On the basis of commodities stored

1. General warehouses
 2. Special commodity warehouses
 3. Cold storages or refrigerated warehouses
 4. Climate controlled warehouses
-

3. Give any three functions of Warehouses. Pg. 121

1. Storage
 2. Price stabilization
 3. Business finance
 4. Risk bearing
 5. Preparation for sale
 6. Value added services
-

4. Tabulate the three differences between warehouse warrant and warehouse receipt. Pg. 123

<u>Warehouse warrant</u>	<u>Warehouse receipt</u>
1. It is a document of title of goods.	1. It is not a document of title of goods.
2. It can be negotiated or transferred to other.	2. It cannot be transferred to others.
3. It can be given as collateral security for getting finance.	3. It cannot be given as collateral security.

5. Give a note on FCI. Pg. 124

- The FCI was set-up under the Food Corporation Act 1964.
- It provide storage facilities for food grains
- It also hire storage facilities from-
 - a) Central warehousing corporation
 - b) State warehousing corporation and
 - c) private parties

Short Answer

1. Differentiate the warehouse warrant from the warehouse receipt.

<u>Warehouse warrant</u>	<u>Warehouse receipt</u>
1. It is a document of title of goods.	1. It is not a document of title of goods.
2. It can be negotiated or transferred to other.	2. It cannot be transferred to others.
3. It can be given as collateral security for getting finance.	3. It cannot be given as collateral security.
4. It is acknowledgement for receipt goods and also authority to get delivery of goods - - by owner or by third party.	4. It is only acknowledgement for receipt goods.
5. Delivery of goods effected by surrendering this warrant with endorsement	5. Delivery is effected by surrendering this receipt with letter from depositor

2. Comment on cold storage warehouse.

- a) Some goods are need to be stored in the refrigerated warehouse to extend the life of the product and the market for the product.
- b) Cold storage is required for storing Perishable goods like-
 - Fruits , vegetable, fish, butter, diary products, meat, eggs, ect.
- c) To protect the good from deterioration
- d) To maintain quality and
- e) Made available of product throughout the year.

1. Explain the different types of warehouses

I. On the basis of ownership

1. Private warehouses

- a) Private warehouses are built and owned by the private enterprise.
- b) They are exclusively for their own use, not for the other business units.

2. Government warehouses

- a) Government warehouses are owned and operated by the government.
- b) They are implemented for the services and programmes of the government.

3. Public warehouses

- a) Public warehouses are owned by an individual or agency.
- b) They are operated under the rules and regulation of the government.
- c) It is open for all public and business units at large.

4. Co-operative warehouses

Co-operative warehouses are owned and managed by the –

- Marketing co-operatives societies
- Agricultural co-operatives societies

Example - National Co-operative Development Corporation (NCDC).

5. Bonded warehouses

- a) These warehouses are - licensed by government – to accept – storage of imported goods - which are not cleared due to - non – payment of customs duty by the importer.
- b) Bank loan can be obtained with this warehouse receipt as collateral security.

II. On the basis of commodities stored

1. General warehouses

- a) They are ordinary warehouses used for storing the dry food grains, fertilisers, etc.
- b) To protect against rat, insects, etc.

2. Special commodity warehouses

- a) These warehouses are specially constructed for storing specific type of commodities like tobacco, cotton, wool etc.
- b) To protect the quality of goods to a great extent.

3. Cold storages or refrigerated warehouses – refer Para. 2

- a) Some goods are needed to be stored in the refrigerated warehouse to extend the life of the product and the market for the product.
- b) Cold storage is required for storing Perishable goods like-
 - Fruits, vegetable, fish, butter, dairy products, meat, eggs, etc.

4. Climate controlled warehouses

These warehouse used to protect the products against climate changes and humidity control.

Example – fruits , vegetable, flowers

5. Automated Warehouses

These warehouse facilitates to handle several hundreds of kilograms of product at a time.

It requires –

- Huge investment
 - Latest technology
 - Large turnover of goods
-

2. Explain the advantages of warehousing functions.

Advantages

1. It safeguards the stock of the merchants
 2. it reduce distribution cost of the traders by storing the goods in bulk and allow the trader to trade the goods.
 3. It helps in selection of channel of distribution.
 4. It assists in maintaining the continuous sales and avoids the possibilities of “out of stock” position.
 5. It creates employment opportunities for both skilled and unskilled workers, to improve their standard of living.
-

Additional question

1. What are various types of warehouse warrant.

1. Warehouse warrant
 2. Warehouse keeper receipt
 3. Dock warrant
 - a) Dock is a harbor in which the goods are loaded into the ship..
 - b) Dock warrant is a document of title of goods issued by dock authorities.
 - c) The warrant document should be given back to dock authority to take delivery of goods.
 4. Dock receipt
 - a) Dock receipt is an acknowledgement of receipt of goods issued by dock authorities to the owner of the goods.
 - b) Therefore, the right of taking of delivery of goods cannot be transferred.
-

Chapter 14- Transportation
Very Short Answer

1. Define transport. Pg. 127

The term 'transport' includes all the - clerical, mental and manual occupation - involved in the operation of - road, rail, canal, sea and air transport

2. State any two services rendered by transport. Pg. 135

- a) It increases the efficiency of production
 - b) It helps in specialization and mass production
 - c) It helps in price stability by distributing goods all over the country
 - d) It aids to economic growth
 - e) It develops and expands the market
-

3. Write any two advantages of water transport. Pg. 132

- a) It is cheapest mode of transport
 - b) It carries fragile goods like glassware, earth ware etc., without causing damage.
 - c) It is most suitable for heavy loads.
 - d) There is lesser pollution in water transport.
-

Short Answer

1. What is bill of lading? Pg. 136

Bill of Lading

- a) Bill of Lading is a document containing the terms and conditions of the contract of carriage.
- b) It is issued by the shipping company and signed by the captain of the ship.
- c) It acknowledges the receipt of the goods described in it on board the ship.
- d) It is a document of title of goods.

The main contents are:

- Name of Exporter,
- Name of the ship,
- Place of loading,
- Particulars of goods shipped,
- Port of destination,
- Freight paid or to be paid,
- Person to whom delivery of goods is to be made, date etc.

The two types of bill of lading –

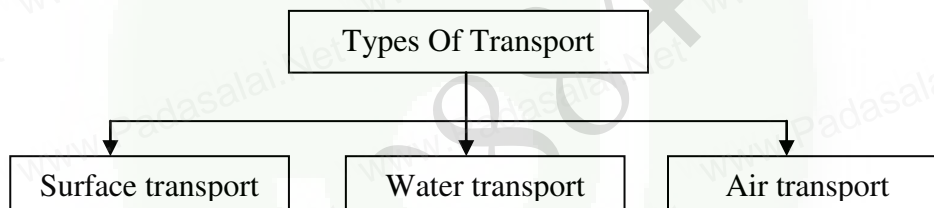
1. Clean bill of lading
 2. Foul or claused bill of lading
-

2. What is charter party? Pg. 136

- a) When goods are to be consigned in large quantity, it is advantageous to hire the whole or substantial part of the ship.
 - b) The document through which this contract is made is known as 'Charter Party' may also
 - c) be known as 'Voyage Charter' or 'Time Charter'.
 - d) The person who hires the ship is known as 'Charter'.
 - e) The charter becomes responsible to the third parties for the acts of the master and crew of the ship.
-

Long Answer

1. Explain different types of transport. Pg. 127



I. Surface transport

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

The following are the transport comes under this category

1. Pack animals
2. Bullock carts
3. Road transport
4. Motor lorries and buses
5. Railway
6. Tramways
7. Metro rail
8. Bullet train
9. Pipeline transport
10. Conveyor transport
11. Ropeway transport
12. Hyper loop transport

II. Water Transport

- “Water is a free gift of nature’.
- through the development science and technology and
- improvement in the construction, design motive power, speed and safety ships and boats.
- Goods can be transported throughout the country .

Water transport are two types –

1. Inland waterways

- It comprises of river and canals.
- It is also known as internal water transport.

2. Ocean water or sea transport

- Its includes coastal shipping, liner, tramps.
- Its is also known as international ocean transport.

III. Air Transport

- Air transport is the fastest and the costliest mode of transport - invented 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
 - 1. Domestic/ national flights
 - 2. International flights
-

2. Discuss the advantages of transport. Pg. 129

I. Advantages of Railway Transport

1. Railways are well suited for – carrying heavy and bulky goods - over long distances.
2. It provide - unbroken services - throughout the day and night.
3. It provide - better production and - safety to the goods - than motor transport.
4. The goods are carried - in closed wagons – it protect goods from - exposed to sun, rain etc.
5. Railways provide - cheaper mode of transport.
6. It has regular schedule of timing and is available throughout the year.
7. It provides - unaffected services - whether rainy or shinny weather conditions.

II. Advantages of Air Transport

1. It provides a regular, convenient, efficient and quick service.
2. Perishable goods like fruits, vegetables, egg, meat, etc., can be transported quickly.
3. It does not require huge investment for construction and maintenance of track like railways.
4. They provide comfortable services for passengers and safety for their goods.
5. It can be used to move goods to areas, which are inaccessible to other means of transport.

III. Advantages of inland waterways

1. It is considered as the cheapest mode of transport among the other modes of transport.
 2. It carries goods smoothly due to the absence of shaking and jolting during transit.
 3. It is most suitable for heavy loads.
 4. There is lesser pollution in water transport.
 5. Initial investment on river services as well as expenditure on their maintenance is much lesser as compared to road and rail transport.
-

Addition question

1) What are various document involved in transport

1. Way bill
 2. railway receipt
 3. bill of lading
 4. Charter party
 5. Air consignment note
-

Chapter – 15 INSURANCE

Very Short Answer

1. List any five important type of policies. Pg. 142

Types of Life Insurance Policies

1. Whole Life Policy
 2. Endowment Life Assurance Policy
 3. Joint Life Policy (JLP)
 4. Annuity Policy
-

2. What is health insurance? Pg. 144

- Health insurance policy is a contract between an insurer and an individual or group.
 - in which the insurer agrees to provide specified health insurance at an agreed upon premium
 - Health insurance provides risk coverage against unforeseen health expenditure and safeguard against rising medical costs.
-

Short Answer

1. Define Insurance. Pg. 139

“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. Pg. 146

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

3. Write a note on IRDAI. Pg. 149

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.

The headquarters is in Hyderabad.

IRDAI is a ten member body consists of

1. One Chairman
 2. Five whole-time Members
 3. Four part-time Members
 4. The chairman and members of IRDA are appointed by the Government of India.
-

Long Answer

1. Explain the various types of Insurance. Pg. 141

Insurance covers different types of risks.

It can be broadly classified as follows:

- 1) Life Insurance (or) Life Assurance
- 2) Non-life Insurance (or) General Insurance

I. Life Insurance

- 1) The insurance company called **Insurer** - undertakes to insure the life of a person called **Assured**.
- 2) Through the payment of money called **premium** – at one lump sum or monthly, quarterly,
- 3) Half yearly or yearly.
- 4) Certain sum of money can be repaid either on the death of the assured or on expiry of certain period.

Types of Life Insurance Policies

1. Whole Life Policy

- a) In this kind of policy, the sum insured is payable only on the death of the assured.
- b) The premium is payable for a fixed period (20 or 30 years).
- c) The policy will continue till the death of the assured.

2. Endowment Life Assurance Policy

Under this type of policy, the sum insured is payable - on the attainment of a particular age or on his death, whichever is earlier.

3. Joint Life Policy (JLP)

- a) The policy is taken up - jointly on the lives of - two or more persons - is known as Joint Life Policy.
- b) On the death of any one person, the policy money is paid to the other survivor or survivors.

4. Annuity Policy

- a) Under this policy, the sum insured is payable only in monthly or annual installment after the assured attains a certain age.
- b) This policy is useful to those who prefer a regular income after a certain age.

5. Children's Endowment Policy

- a) This policy provides funds for the - education or marriage of children.
- b) Example, Jeevan Anurag Policy.
- c) However, no premium will be paid, if he/she dies before the maturity of the policy.

II. Non – Life Insurance

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

1. Fire insurance

- a) Fire insurance undertakes to protect the loss or damaged cause by fire.
- b) The amount of premium specified in the policy to be paid during the specified period.

2. Marine insurance

- a) Marine insurance undertakes to protect the losses arising from marine perils or perils of the sea.
- b) Marine perils can be collision of ship with the rock, fire, ship attacked by the enemies, etc.

Types of marine insurance policies

1. Hull or ship insurance
2. Cargo insurance
3. Freight insurance

3. Health insurance

Types of health insurance

1. Individual medicaid
2. Family floater policy
3. Unit linked health plans

4. Miscellaneous insurance

1. Motor vehicle insurance / Auto Insurance
 2. Burglary Insurance
 3. Cattle Insurance
 4. Crop Insurance
 5. Sports Insurance
-

3. Explain the principles of insurance. Pg. 139

1. Utmost good faith

- a) Both parties, insurer and insured should enter into contract in good faith.
- b) Insured should provide all the information that impacts the subject matter.
- c) Insurer should provide all the details regarding insurance contract.

2. Insurable interest

- a) Insurable interest means some pecuniary interest in the subject matter of the insurance contract.
- b) Example - a businessman has insurable interest in his stock of goods.

3. Indemnity

- a) Indemnity means security or compensation against loss or damages.
- b) This principle of indemnity is applicable to property insurance alone.

4. Causa proxima

- a) Word "Cause Proxima" means "Nearest Cause"
- b) An accident may be caused by more than one cause. In case property insured for only one cause. In such case nearest cause of the accident is found out.
- c) Insurer pays the claim money only if the nearest cause is insured

5. Subrogation

- a) After the insured gets the claim money, the insurer steps into the shoes of insured.
 - b) After making the payment of insurance claim, the insurer becomes the owner of subject matter.
 - c) This is because the insured cannot make any profit by selling the damaged property.
-

4. Discuss the causes of risk. Pg. 149

1. Natural Causes

- a) Natural Calamities Like Flood, Earthquake, Lightning, Heavy Rains, Famine, Etc.
- b) These Result In Heavy Loss Of Life, Property, And Income In Business.

2. Human Causes

- a) Human causes include such unexpected events like –
 - dishonesty,
 - carelessness or negligence of employees,
 - strikes, riots, management inefficiency, etc.

3. Economic Causes

- a) It include uncertainties relating to-
 - demand for goods,
 - competition, price,
 - change of technology or method of production, etc.
- b) Financial problems like –
 - rise in interest rate for borrowing,
 - levy of higher taxes, etc

It result in higher unexpected cost of operation in business

4. Other Causes

These are unforeseen events like -

- political disturbances,
- mechanical failures
- fluctuations in exchange rates, etc.

which lead to the possibility of business risks

Sharmila 9884422296

Chapter – 16 Emerging Service Business In India

Very short answer

1. Who is a franchisee? Pg. 152

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? Pg . 155

1. **Franchising fees:** initial franchising fee and renewal fees will be the great deterrent to the franchisee.
2. **Fixed royalty payment:** on a regular basis the payment should be made to the franchiser, it will reduce the income of the franchisee.

3. Who is a factor? Pg. 156

- a) The factor is an agent who buys the accounts receivables (Debtors and Bills Receivables) of a firm and provides finance to a firm to meet its working capital requirements.
- b) Through factoring firm receives short term finance (working capital) to meet day-today payments.

4. Define outsourcing. pg 160

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

5. What is need for outsourcing? Pg. 162

1. To focus on key function
2. Benefit of specialization / efficiency
3. Cost cutting
4. Economic growth and development
5. Increasing profit.
6. Catering to the dynamic demand.

6. State the importance of BPO. Pg. 160

1. Transferring Non Core Activities to Outsiders
2. Outsourcing Involves Contracting
3. Operational Efficiency through Outsourcing
4. Improved Customers Satisfaction
5. Cost Reduction

7. Write about the importance of Logistics. Pg. 159

- a) Logistic creates visibility in a company's supply chain
- b) It can also use this information for process optimization and avoiding potential distributions.

8. What are the benefits of KPO? Pg. 162

1. Usage of best skills
2. Ultimate use of knowledge
3. Finding solution to complex problem
4. Reduction of expenditure
5. Special focus on principal functions
6. Outsourcing reduces risk

9. Define Logistics. Pg. 158

Logistics Management defined -

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

10. What is the need for Logistics? Pg. 158

- a) This implies that an integrated view of a number of different activities and functions may be required.
- b) These activities are represented as part of the value chain, called the generic value chain by Porter.
- c) All firms are viewed as a collection of primary and secondary activities.

11. What are the types of Logistics Applications? Pg. 159

1. Decision-wise
2. Actor-wise
3. Inbound logistics and
4. Outbound logistics

12. What do you mean by e-commerce? Pg. 163

1. E - Commerce or Electronic Commerce is the buying and selling of goods and services through electronic networks like internet.
2. It includes internal and external transaction of an organization.
 - a) The internal transactions include finance, production, operations etc.,
 - b) External transactions include customer – service, sales, marketing and business to business transactions.

Short answer

1. What are the types of franchising? Pg. 153

1. Product/ trade name franchising:

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

2. Business format franchising:

- a) In this type of franchising, the franchisor awards rights covering all business aspects as a complete business package to the franchisee .
 - b) This includes training , corporate name, uniformity of products and services with high standardization.
 - c) Examples: McDonald's, Pizza Hut. KFC, Hot breads, Titan, Color plus, Zodiac, Lakmé beauty parlour
-

2. List the steps in factoring process. Pg. 156

- a) The firm enters into a factoring arrangement with a factor, which is generally a financial institution, for invoice purchasing
 - b) Goods are sold on credit basis, an invoice is raised and a copy of the same is sent to the factor.
 - c) The debt amount due to the firm is transferred to the factor through assignment.
 - d) On the due date, the amount is collected by the factor from the customer.
-

3. Describe the benefits of Logistics. Pg. 159

1. Decrease in Costly Errors
 2. Inventory Management
 3. Increased Customer Service
 4. Access to real time freight data and analysis
 5. Organizational control
 6. Scalability and speed.
-

4. Explain the points of differences between Logistics and Supply Chain Management. Pg. 160

	Logistics Management	Supply Chain Management
1.	It deals with the efficient management of a static gap between Demand	It deals with the identifying dynamic nature of the value creation such as responsiveness, quality and design.
2.	It focus on cost minimization	It focus on profit maximization.
3.	It is supply driven	It is demand driven.

5. What is the impact of e-commerce on buyers? Pg. 164

- a) It enable the Buyers to access global information about variety of products in the market
 - b) It enable the buyer to buy the products/services from anywhere in world
 - c) The price of product bought through e- commerce is lower than the conventional shop
 - d) Individuals could sell their used products through e – commerce mode with relative ease.
-

Long answer

1. Enumerate the characteristics of franchising.pg. 152

- 1. Franchise means selling the same product and maintaining a similar type of shop decor , style of interior decoration, organising, merchandising and management
 - 2. Franchise relationship is based on an - agreement which lays down - terms and conditions of this relationship.
 - 3. The agreement term of franchise may be for 5 years or more.
 - 4. The franchisee should not undertake to carry any other competing business during the term of the franchise
 - 5. The franchisee agrees to pay specified royalty to the franchiser, as per terms of the franchise agreement.
 - 6. Franchisee is supposed to follow the franchisor company's policies regarding mode of business operations, as per clauses in the franchise agreement.
 - 7. Franchiser may give training to personnel working in the franchisee's organization.
-

2. Elucidate the features of factoring. Pg. 156

1. Maintenance of book-debts

A factor is an agent - takes the responsibility of - maintaining the accounts of debtors (debtor and bill receivable)- of a business institution.

2. Credit coverage

- a) The factor accepts the risk of burden of loss arises due to bad debts and
- b) leaving the seller to concentrate on his core business.

3. Cash advances

The factor pays - around eighty percent - of the total amount of accounts receivables - as advance cash - to the business institution..

4. Collection service

The factor provide factoring service such as -

- a) Issuing reminders,
- b) receiving part payments,
- c) collection of cheques

5. Advice to clients

The factor provide advice to the business (client) - regarding the credit worthiness - of the customer - From the past history of debtors.

3. Describe the benefits of Outsourcing.pg. 161

1. Focusing on Core Activities

- a) Companies can focus on their core competence activities of the business
- b) The rest activities are non core activities can be outsource to outside agencies.(outsourcing BPO)

2. To Fill up Economic Development

Outsourcing stimulates –

- a) Entrepreneurship,
- b) Encourages employment opportunities,
- c) Expands exports,
- d) Enables tremendous growth of the economy.

3. Encourages Employment Opportunities

- a) Outsourcing take up the non core activities of small business unit
- b) It also provide more job opportunities and new employment avenues.

4. Reduction in Investment

- a) Through outsourcing Companies avails the services of outsiders
- b) It also reduces the investment requirements.
- c) So the company can utilize the available amount for productively purpose.
- d) This will leads to increases in profits.

5. Quest for Excellence

Outsourcing enables the firms to pursue excellence by extending their capabilities through contracting out.

4. Explain the points of differences between BPO and KPO. Pg. 162

I. BPO – Business Process Outsourcing

- a) BPO means getting contractual services of external companies or group of companies to complete special work or process of a company.
- b) For example call centres, data entry etc.
- c) This reduces the expenditure by using cheap labour available in developing countries like Indian, China etc.

II. KPO – K knowledge Process Outsourcing

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

5. Write a note on e-commerce models. Pg. 164

1. Business to Business (B 2 B)

- a) business concerns transact with one another through internet.
- b) For instance, Snapdeal, Flipkart, Alibaba, Indiamart, Trade India. Com etc.

2. Business to Customers (B 2 C)

Under this model, business concern sells directly to consumers.

3. Consumer to Consumer (C 2 C)

- a) Under this model, customers sell directly to other customers through online
- b) .Example - Kraftly App, Other players are Quikr, Olx, ebay etc..

4. Customer to Business (C 2 B)

- a) Products like automobile, electronic items furniture and similar product are traded by customer through websites.
- b) Example - Naukri.com, and Monster.com

5. Business to Government (B 2 G)

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

VERY SHORT ANSWER

1. What do you mean by Social Responsibility?

“Social Responsibility refers to the obligation to pursue those policies to make those decisions or to follow those lines of action which are desirable in terms of objectives and values of our society.” – **Howard R.**

2. Give the meaning of Social Power

Kingsley Davis defines power as "the determination of behavior of others in accordance with one's own ends."

In general it means the ability to influence the behavior of the other person.

3. What is a free enterprise?

- ✓ A free enterprise system is an economic system where a government places very few restrictions on the types of business activities or ownership in which citizens participate.
 - ✓ This type of system is often referred to by others as a free market, or capitalism.
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4. Who are called Stakeholders?

- ✓ A stakeholder is anybody who can affect or is affected by an organisation, strategy or project.
 - ✓ They can be internal or external and they can be at senior or junior levels.
-

5. What is ethical Responsibility?

Ethical responsibility is the ability to recognize, interpret and act upon multiple principles and values according to the standards within a given field and/or context.

PARAGRAPH

1. Define the Concept of Social Responsibility?

“Social Responsibility refers to the obligation to pursue those policies to make those decisions or to follow those lines of action which are desirable in terms of objectives and values of our society.” – **Howard R.**

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

A businessman must perform social responsibilities because of the following reason -

- a. Self interest
- b. Better environment for business

- c. Public image
 - d. Avoidance of government interference
 - e. Social power
 - f. Resources used for moral justification
 - g. Contribution to social problems
-

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

Responsibilities towards Employee

- a) Providing fair compensation and benefits
 - b) Providing good and safe working conditions
 - c) To give them opportunities to participate in decision making
-

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

- a. Employees want demand their company to be socially responsible
 - b. Consumers expect better business practices
 - c. It creates competitive immunity Capitalism is evolving, and society is, too
 - d. It is a moral imperative
-

5. List the kinds of Social Responsibility

- a. Economic Responsibility
 - b. Legal Responsibility
 - c. Ethical Responsibilities
 - d. Discretionary Responsibilities
-

LONG ANSWER

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

Social Responsibility

- Social responsibility is the obligation of businessmen towards the society.
- Businessmen must review the impact of their decisions and actions on the other sections of the society.

According to **Peter F Druker**, "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."

Need for Social Responsibilities

A businessman must perform social responsibilities because of the following reason

- a. Self interest
 - b. Better environment for business
 - c. Public image
 - d. Avoidance of government interference
 - e. Social power
 - f. Resources used for moral justification
 - g. Contribution to social problems
-

2. Illustrate with examples the arguments for Social Responsibility?

1. Protection of Stakeholders Interest

- a. A business organisation is a coalition of several interest groups or stakeholders.
- b. Example – shareholders, customers, employees, suppliers, etc.

2. Promotion of Society

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

3. Assessment of Social Impact

- a. During the course of its functioning, a business enterprise makes several decisions and actions.
- b. Its activities exercise a strong influence on the interests and values of society.
- c. Business must fulfil social obligations as a compensation for undermining the legitimate interests of society

4. Organised Social Power

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

5. Competence

- a. Business organisations and their managers have proved their competence and leadership in solving economic problems.

- b. Society expects them to use their competence to solve social problems and thereby play a leadership role.
-

3. What are the arguments against Social Responsibility?

1. Lack of Conceptual Clarity

- a. The concept of Social responsibility is very vague and amenable to different interpretations.
- b. There is no consensus on its meaning and scope.
- c. In such a situation, it would be futile as well as risky to accept social responsibility.

2. Dilution of Economic Goals

- a. By accepting social responsibility, business will compromise with economic goals.
- b. Business is an economic institution and its only responsibility is to make maximum possible profits for its owners.
- c. It would endanger its economic viability by accepting any other responsibility

3. Lack of Social Skill

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

4. Burden on Consumers

- a. If business deals with social problems, cost of doing business would increase.
- b. These costs will be passed on to consumers in the form of higher prices or will have to be borne by owners.
- c. This would lead to taxation without representation

5. Responsibility without Power

- a. Business organisations possess only economic power and not social power.
 - b. It is unjust to impose social responsibilities with social power.
 - c. If business is allowed to intervene in social affairs it may perpetuate its own value system to the detriment of society.
-

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

1. Responsibilities towards Consumers

- a. Production of safe items by maintaining quality standards
- b. Being truthful in advertising
- c. To follow fair trade practices.

2. Responsibilities towards Employee

- a. Providing fair compensation and benefits
- b. Providing good and safe working conditions
- c. To give them opportunities to participate in decision making.

3. Responsibilities towards the Owners / Shareholders / Investors

- a. To ensure safety of investment
- b. To ensure fair and regular return on investment
- c. To ensure appreciation of investment by proper utilisation of resources

4. Responsibilities towards the Government

- a. To abide by rules, regulations and laws
- b. To pay taxes and duties on time
- c. To help in solving social problem

5. Responsibilities towards the Community

- a. To protect the environment from all types of pollution
- b. To provide more employment opportunities
- c. To help the weaker section of the society

5. How do you classify Social Responsibility?

1. Economic Responsibility

In an economic responsibility, business is expected to produce goods and services that are beneficial for society and society which wants and sell them at a profit.

2. Legal Responsibility

- Every business enterprise is expected to operate within the legal frame work of our society.
- A law abiding enterprise gets no interference of government and is considered as a socially responsible enterprise.

3. Ethical Responsibilities

Ethics is much more than law, while behaving ethically businessmen should not be involved in adulteration, black marketing, etc.

4. Discretionary Responsibilities

- This responsibility is purely voluntary.
 - This includes contribution in charity.
 - Participation in social service projects, setting up educational and training institutions etc
 - It helping people affected by flood, earthquake etc.
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CHAPTER 18 BUSINESS ETHICS

Very short answer

1. What is ethics?

Ethics, also called moral philosophy, the discipline concerned with what is morally good and bad, right and wrong.

The term is also applied to any system or theory of moral values or principles.

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 behaviour

- a. Government Rules and Regulations
 - b. Laws support Government regulations regarding the working conditions, product safety, statutory warning etc.
-

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.
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5. What are MNCs?

MNC is defined to be an enterprise operating in several countries but managed from one country.

Paragraph

1. Define business ethics.

According to Andrew Crane, "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."

According to Raymond C. Baumhart, "The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly."

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

- i. It governs the behaviour, derived from the moral standards which help to determine right or wrong, good or evil.
 - ii. Ethical behaviour is the acts consistent with the moral standards or codes of conduct established by society.
 - iii. It may change over time and differ from culture to culture.
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3. Why is ethics necessary in business?

1. Credibility with the Employees:

- a) When employees are convinced of the ethical values of the organisation they are working for, they hold the organisation in high esteem.
- b) It creates common goals, values and language.

2. Better Decision Making:

Decision making will be better in the interest of the public, employees and company's own long term good.

3. Profitability:

Ethical companies are bound to be successful and more profitable in the long run though in the short run they can lose money.

4. What are the benefit of Corporate Governance to Share holders

1. Good corporate governance enables corporate success and economic development.
 2. Ensures stable growth of organizations.
 3. Aligns the interests of various stakeholders.
 4. Improves investors' confidence and enables raising of capital.
 5. Reduces the cost of capital for companies.
 6. Has a positive impact on the share price
-

5. Illustrate with example the working of a MNC

1. Importing and exporting goods and services
 2. Making significant investments in a foreign country
 3. Buying and selling licenses in foreign markets
 4. Engaging in contract manufacturing — permitting a local manufacturer in a foreign country to produce their products
 5. Opening manufacturing facilities or assembly operations in foreign countries
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1. Explain the different key elements of business ethics.

1. Top Management Commitment

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

2. Publication of a “Code”

- a) The organisation principles are defined in the written document called code.
- b) The code of conduct covers various areas such as health and safety in the work place, fair dealing in selling and marketing activities, ethical practices in the business etc.

3. Establishment of Compliance Mechanism

- a) To make sure that actual decisions match with a firm’s ethical standards, suitable mechanism should be established
- b) The organisation must provide for an environment where the employees are free to report about the matters of unethical behaviour.

4. Involving Employees at All Levels

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

5. Measuring Results

- a) The organisations from time to time keep a check on ethical practise followed.
 - b) The top management team and other employees should then discuss the results for further course of action.
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2. Describe the code of business ethics.

- Code of ethics documents the generally accepted principles of ethical conduct.
- They are statements of values and principles which define the purpose of an organisation.
- 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:

- 1) To offer goods at fair prices.
 - 2) To supply quality goods and not to deal in spurious and sub standard products.
 - 3) To listen to consumer’s complaints and to reduce them.
 - 4) Not to raise the price of its products unjustifiably.
 - 5) Not to resort to hoarding and black marketing.
 - 6) Not to resort to price cutting with the sole aim of killing competition.
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3) Explain the significance of Corporate Governance from the point of Stakeholders

1. Good corporate governance enables corporate success and economic development.
 2. Ensures stable growth of organizations.
 3. Aligns the interests of various stakeholders.
 4. Improves investors' confidence and enables raising of capital.
 5. Reduces the cost of capital for companies.
 6. Has a positive impact on the share price
 7. Provides incentive to managers to achieve organizational objectives.
 8. Eliminates wastages, corruption, risks and mismanagement.
 9. Improves the image of the company.
 10. The organization is managed to benefit the stakeholders.
 11. Ensures efficient allocation of resources
 12. Creates a strong brand as an ethical business.
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4. Discuss the role of International Benchmarking on the working of Companies in India

ASIA

- a. Independent Directors are a requirement for listed companies in all Asian economies, where most require at least 1/3rd of the Board to be independent
- b. Committees of Boards such as audit, remuneration and Board nomination are required in all Asian economies except Vietnam.
- c. In China, the Audit Committee is to be composed of Independent Directors only.

USA

- a. The Council of Institutional Investors (CII), Corporate Governance Policies state that at least 2/3rd of the directors should be independent.
- b. The U.S. National Association of Corporate Directors (NACD), recommends that the Governance Committee should be responsible for ensuring that a process exists for the Board to routinely assess its own performance

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.

UK

UK businesses had voluntary targets first set in 2011 i.e. to have 25% women on FTSE100 (The Financial Times Stock Exchange) Boards by 2015.

FRANCE

French parliament adopted a bill that requires public companies making at least 50 million Euros in turnover and employing more than 500 workers to have 40% female Board representation by 2017.

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

1. Low Cost Labour

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

2. Quality Products

- The resource, experience and expertise of MNCs in the sphere of research and development
- It enables the host country to establish its research and development system

3. Proper Use of Idle Resources

- Because of their advanced technical knowledge,
- MNCs are in a position to properly utilise idle physical and human resources of the host country.
- This results in an increase in the National Income of the host country.

4. 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

5. Technical Development

- MNCs carry the advantages of technical development to host countries.
 - Because of MNCs poor host countries also begin to develop technically.
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Thank you

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