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# **XI-COMMERCE**

**Study Material -3 Marks**

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**CHAPTER-1:**

**1. Explain the meaning of the term "Vanigam".**

- The word vaniyam or vanipam would have had a Dravidian origin.
- The early Tamils produced their products and goods in their lands and bartered their surplus and that is how trade came into existence.
- The word 'Vanigam' has been widely used in sangam literature like Purananuru and Thirukkural.

**2. State the meaning of Maruvurapakkam and Pattinapakkam.**

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

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

- 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.
- Besides state expanded infrastructure for shipping such as ports, lighthouse, warehouse etc.. to promote overseas trade. Many such ports were developed during the Sangam period.

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

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

**CHAPTER-2:**

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

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

**I. Economic Activities:** Activities undertaken with the object of earning money

Eg; Selling by retailers

**II. Non-Economic Activities:** Activities undertaken to satisfy social and psychological needs

Eg: Cooking food for family

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

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

**Profession:** professions are those occupations which involve rendering of personal services of a special and expert nature. It is a career for someone who is competent in their respective areas. Eg Doctor, Lawyer.

**3. Explain the concept of 'Business'.**

- Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services.
- According to James Stephenson business refers to "Economic activities performed for earning profits."

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

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

#### **CHAPTER-3:**

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

**Extractive Industries:** These industries extract or draw out products from natural sources. Important extractive industries include farming, mining, oil drilling, hunting and fishing operations.

**Genetic Industries:** These industries remain engaged in breeding plants and animals for their use in further reproduction. Eg poultry, dairy, piggery, fisheries etc .,

##### 2. What do you mean by tertiary industries?

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

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

- Commerce deals with all economic activities undertaken for profit.
- It involves an exchange of goods and service for profit.
- Profit is an incentive for undertaking all commercial activities.

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

- Commerce refers to all those activities which are necessary for bringing goods from the place of production to the place of their consumption.
- According to Evelyn Thomas, "Commercial operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products".
- Ex International commerce takes place between countries. Interstate commerce is done across state. E-commerce takes places via Internet.

#### **CHAPTER-4:**

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

- ✓ He/she manages all the affairs of the business, the secrecy can be maintained easily.
- ✓ Since the individual is himself as a owner, he need not consult anybody else.

##### 2. What is 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.

##### 3. Write any three characteristics of Sole Proprietorship.

###### i. Ownership by one man

This is owned by single person. He is not only the owner of the business but also Manager of the entire affairs.

###### ii. Freedom of work and Quick Decisions

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

###### iii. Maintenance of Secrecy

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

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

\*Fruit sellers      \*Retail trade      \*Handicrafts      \*Tailoring shops      \*Beauty parlour

##### 5. Define Sole trading business.

"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".

-Wheeler

## **CHAPTER-5:**

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

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

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

#### **i. Governed by Hindu Law:**

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

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

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

#### **iii. Management:**

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

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

The members of the family have full faith and confidence in Karta. Only Karta is entitled to deal with outsiders. Except the Karta, the liability of all other members is limited. The amount of debt can be recovered from Karta personal property also.

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

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

### **5. Define Partnership.**

According to Section 4 of the partnership Act, 1932. "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all".

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

Partnership is the outcome of an agreement, the minimum number of persons required to form a partnership is two. Maximum is restricted to 10 in the case of banking business and to 20 in all other cases.

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

Partnership agreement need not necessarily be in writing, it is important to have a written agreement in order to avoid misunderstandings; it is desirable to have a written agreement. This agreement called as partnership deed.

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

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

### **9. What is meant by Joint and Several 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, even their personal properties should be made available. The creditors can recover their claims from all the partners.

## **CHAPTER-6:**

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

#### **i. Large Capital:**

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

#### **ii. Perpetual Succession:**

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

#### **iii. Promotion of Saving and Investment Habit:**

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

## 2. What is meant by Private Company?

- Private limited company is a type of company which is formed with minimum two shareholders and two directors.
- Articles of association restricts the right to transfer its shares
- 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.
- The minimum requirement with respect to authorised or paid up capital of ₹1,00,000

## 3. What is meant by Government Company?

- These companies are owned and managed by the central or the state government.
- Section 617 of the Companies Act, 1956 defines "Government Companies" as any company in which not less than 51% of the [paid-up share capital] is held by.

1. The Central Government; or

2. Any State Government or Governments; or

3. partly by the Central Government and partly by one or more State Governments.

## 4. What is meant by Foreign Company?

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

## CHAPTER-7:

### 1. What are the disadvantages of Co operatives ? (Any 3)

#### i. Limited funds

Co-operative societies have limited membership and are promoted by the weaker sections. The membership fees collected is low.

#### ii. Over reliance on Government funds

Co-operative societies are not able to raise their own resources. Their sources of financing are limited and they depend on government funds.

#### iii. Government intervention

Co-operative societies are subject to excessive government regulation which affects their autonomy and flexibility.

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

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

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

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

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

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

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

- ❖ The prime objective of an industrial co operative is to benefit the workers socially and economically.
- ❖ The industrial co operative societies do play a crucial role in local economic development through gainful employment.

- ❖ The mini industrial estates in the state are administered by industrial co operative societies.

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## **CHAPTER-8:**

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

#### **i. Low Cost Labour:**

MNC set up their facilities in low cost countries and produce goods/service at lower cost.

#### **ii. Technical Development**

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

#### **iii. Managerial Development**

MNCs employ latest management techniques. People employed by MNCs do a lot of research in management. This leads to managerial development in host countries.

### **2. What are the disadvantages of MNC's?**

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

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

#### **ii. Transfer of out dated Technology**

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

#### **iii. No benefit poor people:**

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

## **CHAPTER-9:**

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

**organisation. Justify your choice of areas.**

- Most of the industrial progress was limited in during the period of pre independence.
- Public sector industries were deliberately set up in these backward regions.
- Provide employment to the work force and develop ancillary industries.
- The government located new enterprise in backward areas.
- Example: Bhilai Steel Plant in Madhya Pradesh

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

#### **i) Departmental Undertaking**

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

#### **ii) Public Corporation**

It is form of public enterprise which is created as an autonomous unit, by a special Act of the Parliament. It is created by a Statute. It is also known as a statutory corporation.

Examples: Life Insurance Corporation of India, the Indian Airlines, the Air India International,

#### **iii) Government Company**

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

Examples: Food Corporation of India, ONGC.

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

#### **Departmental Undertaking:**

- ❖ Indian Railway
- ❖ Tamil nadu Police Department

#### **Public Corporations:**

- ❖ Food Corporation of India (FCI)

- ❖ Tourism Corporation of India
- Government Company:**

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- ❖ Coal India Ltd
- ❖ Steel Authority of India Ltd

**4. Define Departmental undertakings.**

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

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

“Any company in which not less than 51% of the paid-up share capital is held by the Central Government or State Government or partly by the Central Government and partly by State Governments”  
- **Section 2(45) of the Companies Act, 2013**

Examples: Food Corporation of India, ONGC.

**CHAPTER-10:**

**1. Mention the importance of banking services.**

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

**2. Explain the origin of RBI.**

- ❖ In 1926 the Royal Commission on Indian Currency and Finance made recommendation to create a central bank.
- ❖ As a result, the RBI Act 1934 was passed. RBI launched in operations from April 1, 1935.
- ❖ RBI was established with a share capital of ₹5 crores divided into shares of ₹100 each fully paid up.
- ❖ After independence, the Government of India passed Reserve Bank Act, 1948.
- ❖ From January 1, 1949, RBI started functioning as a government owned central bank of India.

**3. Who are the persons involved in RBI administration?**

The 21 member board is appointed by the Government of India. It consists of;

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

**CHAPTER-11:**

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

- ✓ Local Area Bank (LAB) scheme was introduced by the RBI in August 1996.
- ✓ LABs are small private sector banks established in rural and semi-urban areas.
- ✓ Each bank serves two or three adjoining districts only.
- ✓ Their main objective is to mobilise rural savings (accept deposits) and invest them in the same areas.

**Examples:**

- i. Coastal Local Area Bank, Vijayawada, Andhra Pradesh.
- ii. Krishna Bhima Smruddhi Local Area Bank, Mahabubnagar, Telangana.

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

- ✓ Their objective is to develop rural economy and play supplementary role to cooperative societies.



- ✓ They mobilise deposits from the rural public and provide finance to rural artisans, small entrepreneurs and farmers and try to avoid their dependency on money lenders.
- ✓ The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank.

**Examples:**

i. Pallavan Grama Bank, Salem, Tamil Nadu ii. Pandian Grama Bank, Thirumangalam, Madurai District, Tamil Nadu

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

- ✓ All cooperative banks in India are owned by its customers or members who are farmers, small traders and others.
- ✓ Their foremost objective is providing service to its members for rural and agricultural development and not profit earning.
- ✓ They are set up in towns and villages rather than cities.

**Examples:**

iii. Madurai District Central Cooperative Bank Ltd.  
v. Batlagundu Cooperative Urban Bank Ltd. Dindigul District

**CHAPTER-12:**

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

Internet banking refers to performing banking operations through internet, using computers and mobile phone. This can be done by a customer from home or office or any part of the world and all 24 hours of 7 days.

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

- \* RTGS - Real Time Gross Settlement Systems.
- \* It was launched by the RBI in 2013. The transactions are settled on real time basis.
- \* RTGS facility is available between 9.00 am to 4.30 pm on weekdays and up to 2.00 pm on Saturdays.
- \* Gross settlement means the transaction is settled between one bank and another bank without adding any other transactions.
- \* Minimum limit for RTGS transaction is 2 lakhs.

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

- \* Competition in the banking industry has reduced their profits.
- \* Therefore the commercial banks started identifying and offering new and diversified financial services.
- \* They are purely other than banking services. Providing all such banking and other financial services is also called universal banking. Such services are as follows:
  1. Bank Assurance      2. Merchant Banking      3. Retail Banking (Personal Banking)
  4. Housing Finance      5. Mutual Fund

**4. Explain - NEFT.**

- \* This was launched by the RBI in 2005.
- \* Under this electronic funds transfer system, bulk transfer of transactions are settled in batches during specific timings across India.
- \* Transactions do not occur under real time basis.
- \* Once in every half hour from 8.00 am to 7.30 pm. 23 settlements are allowed in a day.
- \* NEFT transfers are not allowed on Sundays and bank holidays.

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

- \* 'CORE' stands for 'Centralized Online Real time Exchange'.
- \* In the centralized server of the bank, all the details of all the accounts of all the branches of the bank are available.
- \* A customer can withdraw money through cheque at any branch of that bank throughout the world. Similarly anyone can deposit money into the account.



- ✳ Entry of the transactions is recorded in the centralized server of the bank in real time and can be seen in all the branches of the bank. This facility is called core banking solutions.

#### **CHAPTER-13:**

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

SL.NO	Warehouse Warrant	Warehouse Receipt
1	It is a document of title of goods	It is not a document of title of goods
2	It can be negotiated or transferred to others.	It cannot be transferred to others
3	It can be given a collateral security for getting financial assistance	It cannot be given as collateral security.

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

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

#### **CHAPTER-14:**

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

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

##### **2. What is charter party?**

- ✓ When goods are to be consigned in large quantity, it is advantageous to hire the whole or substantial part of the ship.
- ✓ The document through which this contract is made is known as 'Charter Party' may also be known as 'Voyage Charter' or 'Time Charter'.
- ✓ The person who hires the ship is known as 'Charter'.

#### **CHAPTER-15:**

##### **1. Define Insurance.**

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

- According to John Merge

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

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

##### **3. Write a note on IRDAI**

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

#### **CHAPTER-16:**

##### **1. What are the types of franchising?**

**a) Product/ trade name franchising:** In this type, the franchisee exclusively deals with a manufacture's product. Examples include Kidzee, French Loaf outlets, Bharat Petroleum bunks, Patanjali products, etc.

**b) Business format franchising:** When a franchisor awards rights covering all business aspects as a complete business package to the franchisee it is called as business format franchising. Examples are McDonald's, Pizza Hut, KFC, Hot breads, etc.,

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

- a) The firm enters into a factoring arrangement with a factor, which is generally a financial institution, for invoice purchasing
- b) Whenever 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 and the same is intimated to the customer.
- d) On the due date, the amount is collected by the factor from the customer.
- e) After retaining the service fees, the remaining amount is sent to the firm by the factor

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

- ✓ Cost savings by centralized inventory management
- ✓ Decrease in Costly Errors
- ✓ Inventory Management
- ✓ Increased Customer Service
- ✓ Organizational control
- ✓ Scalability and speed.

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

SL.NO	Logistics Management	Supply Chain Management
1	It deals with the efficient management of a static gap between Demand and supply.	It tries to identify the dynamic nature of the value creation itself such as responsiveness, quality and design.
2	LM activity is supply driven	SCM is more demand driven
3	It focus on cost minimization	SCM focuses on profit maximization

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

- ✓ They could buy the products/services round the clock from anywhere in world
- ✓ Electronic and software products could be downloaded immediately after purchase through e – commerce mode
- ✓ Individuals could sell their used products through e – commerce mode with relative ease.
- ✓ Customers could participate in e Auction in a free and fair manner.

**CHAPTER-17:**

**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?**

**1. Self-Interest:**

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

**2. Creation of Society:**

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

**3. Image in the Society**

A business can improve its image in public by assuming social obligations. Social obligations improve the confidence and faith of people in a business enterprise.

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

- a. Timely and regular payment of wages and salaries.
- b. Proper working conditions and welfare amenities.

- c. Opportunity for better career prospects.
- e. Better living conditions like housing, transport, canteen, crèches etc.
- f. Timely training and development.

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

- ✓ Every business depends on the society for marketing its goods and services, therefore every business has a moral responsibility to contribute for the welfare of the society.
- ✓ By serving the social needs voluntarily a business can improve its public image.
- ✓ If a business fail to serve the interest of the society, there is a danger of nationalisation of private undertaking by the government.

#### 5. List the kinds of Social Responsibility.

1. **Economic Responsibility:** produce goods and services that society wants and sell them at a profit.
2. **Legal Responsibility:** Every business has a responsibility to operate within the laws of the land.
3. **Ethical Responsibility:** This includes the behaviour of the firm that is expected by society but not codified in law.
4. **Discretionary Responsibility:** voluntary obligation that an enterprise assumes, for instance, providing charitable contributions to educational institutions or helping the affected people during floods or earthquakes.

### CHAPTER-18:

#### 1. Define business ethics.

‘Business houses need to go beyond the interests of their companies to the communities they serve.’

-Ratan Tata

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

-Hendry Ford

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

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

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

- ❖ All business units have realised that ethics is vitally important for the existence and progress of the business as well as the society.
- ❖ It is very important as it improves public image, earns public confidence, and leads to greater success.
- ❖ Ethics and profits go together in the long run. It enhances the quality of life, standard of living and business.

#### 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. Reduces the cost of capital for companies.
4. Has a positive impact on the share price
5. Improves the image of the company.

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

- ❖ India ranks 10th in the world in factory output
- ❖ The manufacturing sector accounts for 27.6% GDP
- ❖ India stands 15th in services output
- ❖ India has become big employment generator especially amongst young graduates.
- ❖ Example: IBM, Microsoft, Pepsi Co, Sony

### CHAPTER-19:

#### 1. Define Business finance.

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

– R.C. Osborn

## 2. What is pledge?

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

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

### Long Term Finance

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

### Short Term Finance

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

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

- ❖ "Finance is the lifeblood of any business."
- ❖ Fixed capital requirements include purchase of plant, machinery, furniture, fixtures, vehicles, and so on
- ❖ For the acquisition of intangible assets such as goodwill, patents, trademarks, and copy rights.

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

- ❖ "Finance is the lifeblood of any business."
- ❖ Working capital requirements include purchase of raw materials, payment of salary and wages, incurring operating expenses like telephone bills, carriage inward and outward, electricity charges, premium, stationery, etc.

## CHAPTER-20:

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

- ❖ International finance helps in calculating exchange rates of various currencies of nations and the relative worth of each and every nation in terms thereof.
- ❖ It helps in comparing the inflation rates and getting an idea about investing in international debt securities.
- ❖ It helps in ascertaining the economic status of the various countries and in judging the foreign market.

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

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

### 3. Explain any three disadvantages of FDI

- 1. Exploiting Natural Resources:** The FDI Companies deplete natural resources like water, forest, mines etc.
- 2. Exploiting Cheap Labour:** Foreign enterprises employ cheap labour force at a lower pay in developing countries.
- 3. Not Transferring Technology:** Some foreign enterprises do not transfer the technology to developing countries. They mostly transfer second hand technology to the host country.

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

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

## 5. State any three features of GDR.

1. It is a negotiable instrument and can be traded freely like any other security.
2. GDRs are issued to investors across the country. It is denominated in any acceptable freely convertible currency.
3. GDR is denominated in any foreign currency but the underlying shares would be denominated in local currency of the issuer.

## CHAPTER-21:

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

Enterprise	Manufacturing sector	Service sector
Medium enterprises	More than 5 Crores but not exceeding Rs 10 crores	More than Rs 2 crores but not exceeding Rs 5 crores

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

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

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

1. **Employment Potential:** MSMEs generate more employment opportunities than large business concerns.
2. **Low Production Cost:** MSMEs do not require skilled labourers or professionals to run the organisation. Thus facilitates production of goods at low cost.
3. **Low Investment:** MSMEs do not require a huge capital to start the unit. It can employ locally available resources within the reach of the owner.

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

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

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

- ❖ There are three distinct modes of credit to SHGs.
- ❖ Under the first mode, banks lend directly to the SHGs.
- ❖ In the second mode, banks provide loans to the NGOs for onward lending to the SHGs and ultimately to micro entrepreneurs.
- ❖ Under the third mode, banks extend credit to the SHGs with the NGOs serving as facilitators.
- ❖ Out of these three methods, the last method of direct lending by bank with NGOs facilitation is widely practised.

## CHAPTER-22:

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

Foreign trade is a trade between a seller and buyer of different countries.

Classification:

#### A. Import Trade

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

#### B. Export Trade

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

#### C. Entrepot Trade

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

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

- ❖ Indian diamond merchants in Surat import uncut raw diamonds from South Africa. They cut and polish the diamonds in their units in India and re-export them to the International Diamond Market in Amsterdam.

- ❖ Singapore, Dubai, Hongkong are the largest Entrepot trade centers in the world.

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

- ❖ Export trade means the sale of domestic goods to foreign countries.
- ❖ Export trade is necessary to sell domestic surplus goods, to make better utilization of resources, to earn foreign exchange, to increase national income, to generate employment and to increase Government revenue.

#### Examples:

1. Export of Iron ore from India to Japan
2. Selling of Tea from India to England.

### 4. What is Wholesale trade?

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

### 5. State the meaning of Retail trade.

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

### 6. Name any three retail traders in your locality

1. Star provisional store- sirkali
2. Kavery super market- sirkali
3. Ram departmental store- sirkali

### 7. State the main aim of trade.

- ❖ The buying and selling of goods and services consists of trade.
- ❖ The essence of trade is to make goods and services available to those persons who need them and are able and willing to pay for them.
- ❖ Trade is conducted in order to earn profit.
- ❖ Trade acts as an intermediary in the exchange of commodities between the producer and consumer.

## CHAPTER-23:

### 1. What do you understand by channels of distribution?

- A channel is the route through which the goods are passed on to the ultimate consumer.
- There are direct channels of distribution without middlemen.
- Indirect channel consists of one or more middlemen performing different functions.
- Middlemen help in the flow of goods towards the masses of consumers.

### 2. Who is a factor?

- A factor is a mercantile agent to whom goods are entrusted for sale by a principal.
- He takes physical possession of the goods, though he does not obtain ownership of the goods.
- A factor sells goods in his own name without revealing the name of his principal.
- He is liable for his action. He can sue or be sued for his contracts.

### 3. Explain the types of mercantile agents.

#### (i) Brokers

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

#### (ii) Factors

A factor is a mercantile agent to whom goods are entrusted for sale by a principal. He takes physical possession of the goods, though he does not obtain ownership of the goods.

#### (iii) Commission Agent or Consignees

A commission agent buys and sells goods on behalf of the principal for a fixed rate of commission for all his transactions. All risks connected with his transactions are borne by the principal.



#### 4. Explain any three characteristics of wholesalers.

1. Wholesalers buy goods directly from producers or manufacturers
2. Wholesalers buy goods in large quantities and sell in relatively smaller quantities
3. Wholesalers sell different varieties of a particular variety of product
4. They employ a number of agents or workers for distribution of products

#### 5. What are the services rendered by the wholesalers to the manufacturers?

1. **Economies in Large Scale:** A wholesaler buys goods in bulk and, thereby, enables the producers to produce goods on a large scale.
2. **Warehousing Facility:** A wholesaler holds large stock of goods in his private warehouse or in a rented warehouse.
3. **Financial Assistance:** A wholesaler often makes advance payments to producers. He buys the goods as soon as they are produced.

#### CHAPTER-24:

##### 1. Explain the features of general stores.

- i. General Stores sell a wide variety of products under one roof
- ii. These stores remain open for long hours at convenient timings
- iii. These stores provide credit facilities to their regular customers
- iv. Its commonly found in a local market and residential areas
- v. store deals in grocery, bread, butter, toothpaste, soaps etc..

##### 2. Give any four points of distinction between hire purchase system and installment system of selling.

SL.NO	Basis	Hire Purchase System	Installment system
1	Transfer of ownership	Ownership passes to the buyer only after the final instalment has been paid	Ownership passes to the buyer as soon as he has paid the first instalment.
2	Action on default	If the buyer commits a default in payment, the seller is entitled to repossess the article	On default of payment, the seller cannot seize the article but recover the dues through court.
3	Contract of sale	The buyer prefers to pay a lump sum or a part of the price initially	it's a type of purchase in which the price amount of the product is not paid initially but in instalments.
4	Rights of buyer	The buyer cannot hire, sell or pledge the articles bought.	The buyer can do anything with the article.

##### 3. Explain the characteristics of super markets.

- i. Supermarkets are generally situated at the main shopping centres.
- ii. The goods kept on racks with clearly labelled price and quality tags in such stores,
- iii. The customers move into the store to pickup goods of their requirements, bring them to the cash counter, make payment and take home delivery.
- iv. The goods are sold on cash basis only. No credit facilities are made available.
- v. Supermarkets are organised on departmental basis.

##### 4. What is meant by 'mail order retailing'?

- i. Mail order houses are the retail outlets that sell their merchandise through mail. There is generally no direct personal contact between the buyers and the sellers in this type of trading.
- ii. Perishable goods like milk are not suitable for sale by mail order. Suitable goods are books, watches, etc.

#### CHAPTER-25:

##### 1. Describe importance of the external trade to an economy

###### i) Unequal Distribution of Natural Resources.

- Countries across the world are not endowed with the natural resources of various types equally.



- The natural resources are unevenly spread across the various nations.

## ii) Specialization.

- Certain countries specialize in the production of goods and services due to some natural advantages.
- Like abundant availability of skilled labour, favorable climatic conditions, availability of natural resources, technical know-how, etc.,

## iii) Cost Benefit.

- Production cost varies significantly among the countries due to difference in socio economic, geographical, demographical, technical and political environments prevailing therein.

## 2. What is the necessity for entrepot trade?

- a) The country may not have any accessible trade routes connecting the importing country
- b) The goods imported may require further processing or finishing before exporting, and these facilities may be lacking in the exporting or importing country
- c) There may not have any bilateral trade agreement between both the country
- d) Importer and exporter may not share good economic relation with each other

## 3. What are the limitations of international business?

### 1. Economic Dependence:

International trade is more likely to make the country too much dependent on imports from foreign countries.

### 2. Import of Harmful Goods:

International business may lead to import of luxurious goods, spurious goods, dangerous goods, etc. It may harm the well-being of people.

### 3. Misuse of Natural Resources.

Excessive export of scarce natural resources to various countries across the world may lead to faster depletion of the resources in the exporting countries.

## CHAPTER-26:

### 1. What are the contents of Indents?

#### Content of an Indent:

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

### 2. What is meaning of consular invoice?

- This document is signed by the consul of importer's country stationed in exporter's country.
- Hence customs officer at the port of destination will not open the consignment and simply access customs duty based on the value declared in the invoice.
- They simply accept the invoice as true statement of the content of the consignment.

### 3. What is meant Charter Party?

A charter party is a formal agreement between ship owner and the exporter under which exporter hires an entire ship or a major part of ship either for a particular voyage or for a specific time period when the shipping is heavy.

### 4. Write a short note on Mate's receipt?

Mate's Receipt is the document issued by the captain of the ship acknowledging the receipt of goods on board by him to the port of specified destination. This contains details like quantity of goods shipped, number of packages condition for packing. etc.,

### 5. What is Bill of Lading?

Bill of Lading, refers to a document signed by ship owner or to his agent mentioning that goods specified have been received and it would be delivered to the importer or his agent at the port of destination if good condition subject to terms and conditions mentioned therein.

**CHAPTER-27:**

**1. What is the primary motive of establishment of WTO?**

- It was setup to have a permanent institution to promote free and fair trade among member countries.
- It deals with the global rules of trade between nations.
- It ensure trade flows smoothly and freely as possible

**2. Name the affiliate of World Bank**

- International Development Association (IDA)
- International Financial corporation (IFC)
- Multinational Investment Guarantee Agency(MIGA)
- International Centre for Settlement of Investment Disputes (ICSID)

**3. What are the criticisms of World Bank?**

- 1. Failure to Reduce Tariffs on Agriculture:** WTO failed to convince the USA and European Unions to eliminate high tariff on agriculture.
- 2. Neglect Environmental Considerations:** WTO on maximizing GDP at the cost of environment is misplaced.
- 3. Neglect of Cultural and Social Factors:** The growth of MNC's is feared to ruin cultural diversity of many developing countries.

**4. How is the value of SDR determined currently?**

- Initially the value of SDR was fixed to be 0.888671 grams of fine gold equivalent to one US dollar till the year 1973.
- From 1st October 2016 SDR basket consists of US dollar, Euro, the Chinese Renminbi, Japanese Yen and British Pound sterling.
- It is calculated as the sum of specific amount of each basket currency value in US dollar based on the spot exchange rates observed at noon London time.
- IMF allocates SDR to member countries in proportion to their quota.

**5. Mention the functions of SAARC.**

1. Monitoring and co-ordinating the development programme
2. Determining inter-sectoral priorities
3. Mobilizing cooperation within and outside the region.
4. Dealing with modalities of financing

**CHAPTER-28:**

**1. Why is Balance of payment prepared?**

- Balance of payment is the principal tool for analyzing the monetary position of international trade of a country.
- Balance of payments help in framing monetary, fiscal and trade policies of country.
- Government keenly observes balance of payment position of its important trade partners in making policy decisions.
- It reveals whether a country produces enough economic output to pay for its growth.

**2. What does Balance of payment disclose?**

**A Balance of Payment surplus indicates** that country's exports are more than its imports and its government and residents are savers. They are in position to have enough capital to pay for its domestic production.

**A Balance of Payment deficit** points to the fact that country's import is more than the export. This situation forces the country to borrow from other countries to pay for its imports.

**3. What are the credit items shown in currents accounts?**

- Goods Export(visible)
- Invisible Exports
  1. Transport service sold abroad
  2. Banking service sold abroad
  3. Insurance service sold abroad
  4. Income received on loan and investment made in foreign countries
  5. Expenses incurred by foreign tourists in India

**4. State the components of capital account.**

**1. Private Capital**

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

**2. Banking Capital**

Banking capital includes movement into external financial asset and liabilities commercial and co-operative banks authorized to dealing in foreign exchange

**3. Official Capital**

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

**CHAPTER-29**

**1. Define Offer**

When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other person either to such act or abstinence, he is said to make a proposal.

**2. What do you mean by Agreement?**

Every promise and set of promises forming consideration for each other is an agreement. In short, Agreement = Offer + Acceptance.

**3. Define a Voidable Contract**

An agreement which is enforceable by law at the option of one or more parties but not at the option of the other or others is a voidable contract. This is the result of coercion, undue influence, fraud and misrepresentation.

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

Revocation of offer is the withdrawal of an offer by the offeror so that it can no longer be accepted. Revocation takes effect as soon as it is known to the offeree. An offeror may revoke an offer before it has been accepted, but the revocation must be communicated to the offeree.

**5. Who is a promisor, promisee?**

**Promisor:**

The person who has become obliged through a promise (usually expressed in a contract) towards another.

**Promisee:**

A [person](#) whom is the recipient of a promise, an obligation or a [contract](#), received from the [promisor](#).

## **CHAPTER-30**

## **Padasalai**

### **1. What is a Valid tender?**

When the party offers to perform his obligation, it is not accepted by the promisee. So, it is also called offer to performance or tender. Hence, a valid tender of performance is considered to be the performance of a promise.

A tender, to be valid, must satisfy the following essential requirements

- i) It must be unconditional
- ii) It must be at the proper time and place.
- iii) It must be in proper form.
- iv) It must be made to a proper person

### **2. Who can execute and Perform a Contract?**

#### **i) Promisor himself:**

X promises to sketch a site map of Y's house. X will have to perform this promise himself. Because it requires the skill of X.

#### **ii) Agent**

According to Para 2 of Section 40, the promisor may employ a competent person such as agent to perform the promise, if the contract is not formed on personal condition.

#### **iii) Representations**

M promises to sell his car for (Rs. 1,00,000) to N after a week. But, M dies after 5 days of the contract. M's representative will be liable to sell the car to N and N will be liable to pay Rs. 1,00,000/- to M's representative.

#### **iv) Third Person**

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

#### **v) Joint Promisors**

### **3. Who can demand performance?**

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

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

**3. Third party** – Exception to “stranger to a contract”

### **4. Write a note on the benefits of Reciprocal Promise.**

#### **1. Mutual and Independent**

Where each party must perform his promise independently without the performance of the other, the promises are mutual and independent.

#### **2. Mutual and Dependent**

Where the performance of the promise by one party depends upon prior performance of promise by the other party, the promises are conditional and dependent.

#### **3. Mutual and Concurrent**

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

### **5. Who is a Joint Promisors?**

When two or more persons have made a joint promise, then unless a contrary intention appears in the contract, all such persons, during their joint lives and after the death of the last survivor, representatives of all, jointly must fulfil the promise”

## **CHAPTER-31**

### **1. What are the different modes of discharged by implied consent?**

The contracts are also discharged by implied consent, different modes of discharge by implied consent are mentioned below

- (a) Novation, (b) Alteration, (c) Recession, (d) Remission,
- (e) Accord and Satisfaction, (f) Waiver and (g) Merger

**2. Define discharge by Performance.**

Performance implies carrying out the obligation of the contract. Performance must be completed according to the real intentions of the agreement. Performance must be done according to time and manner prescribed.

Performance of contract may be of two types namely

- (i) Actual performance
- (ii) Attempted performance

**3. What are reasons for impossibility arising after the formation of contract?**

Impossibility of performance existing at the time of performance of a contract may be either (a) known to the parties or (b) not known to the parties.

Likewise impossibility arising subsequent to the formation of a contract or supervening impossibility may be

- a) By some event beyond the control of the parties or
- b) By some act either of the promisor or of the promisee.

**4. What are the various rules regarding damages?**

Damages are a monetary compensation awarded by the court to the injured party for the loss or injury suffered by him. The main purpose of awarding the damages is to make good the loss suffered by him. It is known as doctrine of restitution.

There are mainly four types of damages, such as

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

**CHAPTER-32:**

**1. What is Gross Total Income?**

Income computed under these heads shall be aggregated after adjusting past and present losses and the total so arrived at is known as 'Gross Total Income'.

- |  |              |
|--|--------------|
| (i) Income from 'Salaries'                 | *****        |
| (ii) Income from 'House Property'          | *****        |
| (iii) Income from 'Business or Profession' | *****        |
| (iv) Income from 'Capital Gains'           | *****        |
| (v) Income from 'Other Sources'            | *****        |
| <b>Gross Total Income (GTI)</b>            | <b>*****</b> |

**2. List out the five heads of income.**

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

**3. Write a note on Agricultural Income.**

Any rent or revenue derived from land which is situated in India and is used for agriculture purposes. Agricultural income is fully exempted from tax u/s 10(1) and as such does not form part of total income.

**4. What do you mean by Total Income.**

Act 1961 allows certain deductions under section 80. After allowing these deductions the figure which we arrive at is called 'Total Income' and on this figure tax liability is computed at the prescribed rates.

- |                                   |      |
|-----------------------------------|------|
| Gross Total Income                | **** |
| Less: Deductions (Sec.80C to 80U) | **** |
| Total Income (T.I.)               | **** |

**5. Write short notes on:**

**1. Direct Tax. 2. Indirect Tax**

**i. Direct Tax:** If a tax levied on the income or wealth of a person and is paid by that person (or his office) directly to the Government, it is called direct tax e.g. Income-Tax, Wealth Tax, Capital Gains Tax, Securities Transaction Tax, Fringe Benefits Tax.

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

**CHAPTER-33:**

**1. Write any two differences between direct taxes and indirect taxes.**

Basis	Direct Taxes	Indirect Taxes
1. Meaning	If a tax levied on the income or wealth of a person is paid by that person (or his office) directly to the Government, it is called direct tax.	If tax is levied on the goods or services of a person is collected from the buyers by another person (seller) and paid by him to the Government it is called indirect tax.
2. Evasion	Tax evasion is possible.	Tax evasion is more difficult
3. Shiftability	Cannot be shifted to others	Can be shifted to others

**2. What are the objectives of GST?**

1. The foremost objective of GST is to create a common market with uniform tax rate in India. (One Nation, One Tax, One Market)
2. To increase the tax base by bringing more number of tax payers and increase tax revenue.
3. To simplify tax return procedures through common forms and avoidance of visiting tax departments.
4. To eliminate the cascading effect of taxes, GST allows set-off of prior taxes for the same transactions as input tax credit.

**3. Briefly explain the functions of GST council.**

- The GST Council will oversee the implementation of the GST. But the Central Board of Excise and Customs is responsible for administration of the CGST and IGST Acts. The Council makes recommendations on rate of GST, apportionment of IGST, exemptions, model GST laws, etc.
- The Chairman of the Council is the Union Finance Minister. The Minister of State in the Finance Ministry and all Finance Ministers of the State Governments shall be its members.
- The Central Government shall have 1/3rd voting power and all State Governments shall have 2/3rd voting powers. All decisions of the Council can be passed only with ¾th of the total votes. Each state has one vote, irrespective of its size or population. Twenty four council meetings were held until 2017.

**4. Explain IGST with an example.**

- IGST - Inter-State Goods and Services Tax - imposed and collected by the Central Government and the revenue shared with States under IGST Act 2017.
- IGST on exports - All exports are treated as Inter-State supply under GST. Since exports are zero rated, GST is not imposed on all goods and services exported from India. Any input credit paid already on exports will be refunded.

**5. Write any three demerits of UGST.**

- i. Several Economists says that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
- ii. Another criticism is that CGST, SGST are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
- iii. A number of retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive.