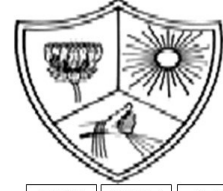


# VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL

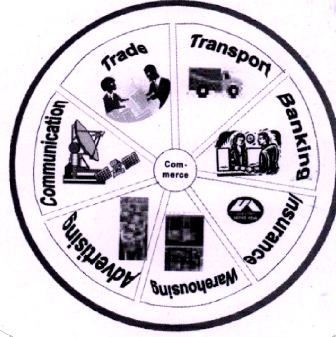


**PANNAIKADU PIRIVU  
KODAIKANAL**



HAND HEART HEAD

## COMMERCE



## XI STANDARD

### COMMERCE MATERIALS

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

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

#### PREPARED BY

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மாணவ நண்பர்களுக்கு,

பொது தேர்வு நெருங்கி கொண்டிருக்கும் இவ்வேளையில் வணிகவியல் பாடத்தில் நல்ல மதிப்பெண்களை பெற வேண்டும் என்ற நோக்கத்தில் எளிமையான முறையில் படிப்பதற்கு வசதியாக எனது 4 வருட பணி அனுபவத்தை கொண்டு இந்த **material** - யை தொகுத்துள்ளேன். தமிழ் வழியில் **Padasalai**- யில் கிடைத்த **material** - யை அடிப்படையாக வைத்தே எனது பாணியில் எனது மாணவர்களுக்கு ஏற்றவாறு தயார் செய்த இந்த தொகுப்பை அனைத்து மாணவர்களும் பயன்பெற வேண்டும் என்ற நோக்கத்திலேயே **Padasalai** - யில் வெளியிட்டுள்ளேன். எனது இந்த தொகுப்பில் ஏதேனும் பிழைகள் குறைகள் இருந்தால் சரிசெய்து கொள்ளவும். பின் தங்கிய மாணவர்களும் நல்ல மதிப்பெண்களை பெற வேண்டும் என்ற நோக்கத்திலேயே இதை தொகுத்துள்ளேன்.

தற்பொழுது அரசு வெளியிட்டுள்ள புது பாட புத்தக தொகுப்பு மிகவும் கடுமையான முறையில் உள்ளதால் மாணவர்கள் சிரம பட்டு படிக்க வேண்டிய சூழ்நிலையில் உள்ள இந்தச் சூழலில் என்னால் இயன்ற அளவிற்கு மிக எளிமையாக 17 முதல் 33 வரை உள்ள பாடத்திட்டத்திற்குரிய **1 mark 2 mark 3 mark & 5 mark** வினாக்களை தொகுத்து உருவாக்கியுள்ளேன். 1 முதல் 16 வரை உள்ள பாடத்திட்டத்திற்குரிய **1 mark 2 mark 3 mark** வினாக்களை முன்னதாகவே **Padasalai** - யில் வெளியிட்டுள்ளேன். தற்போது 1 முதல் 16 வரை உள்ள பாடத்திட்டத்திற்குரிய **5 mark** வினாக்களையும் தனியாக வெளியிட்டுள்ளேன்.

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

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

உங்களுக்காக நாங்கள்!!!!

உன் வெற்றியே எங்கள் வெற்றி!!!!

உங்கள் வெற்றியில் பெருமைப்பாட நாங்களும் காத்திருக்கிறோம்!!!!!!

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

P. Srinivas  
ஆசிரியர்

**CHAPTER – 17****SOCIAL RESPONSIBILITY OF BUSINESS****I. CHOOSE THE BEST ANSWER:**

- Which type of responsibility gives the benefit to the society out of its profits earned?  
(a) Legal (b) Ethical (c) Moral (d) Economic
- The stakeholders of socially responsible business units are except  
(a) Share Holders (b) Employees (c) Government (d) Company
- Assuming Social Responsibility of business helps the enterprise in \_\_\_\_  
(a) Increase Profit (b) Decrease Profit (c) Sustainability (d) Equilibrium
- Socially responsible business provides goods at  
(a) High Price (b) Low Price (c) Reasonable price (d) Moderate Price
- Social responsibility towards employees represents the following except  
(a) Reasonable remuneration (b) Proper facilities (c) Social security (d) Exploitation

**II. VERY SHORT ANSWER QUESTIONS:****1. What do you mean by Social Responsibility?**

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

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

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

**3. What is a free enterprise?**

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

**4. Who are called Stakeholders?**

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

**5. What is ethical Responsibility?**

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

### III. SHORT ANSWER QUESTIONS:

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

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

- *Peter F. Drucker*

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

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

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

##### i). Creation of Society

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

##### ii). Social Power:

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

##### iii). Free Enterprise:

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

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

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

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

Responsibility of Business towards Different Interest Groups

- ★ Business
- ★ Investors

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

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

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

### IV. LONG ANSWER QUESTIONS

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

##### Meaning:

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

##### Need for Social Responsibility:

##### i). Creation of Society

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

##### ii). Social Power:

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

##### iii). Free Enterprise:

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

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

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

##### v). Law and Order

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



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

### i). Protection of Stakeholders Interest

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

### ii). Promotion of Society

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

### iii). Assessment of Social Impact

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

### iv). Organized Social Power

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

### v). Public Opinion

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

## 3. What are the arguments against Social Responsibility?

### i). Dilution of Economic Goals

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

### ii). Lack of Social Skill

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

### iii). Burden on Consumers

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

- ✓ This would lead to taxation without representation.

**iv). Responsibility without Power**

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

**v). Misuse of Responsibilities**

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

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

**i). Responsibility towards Owners**

- ➔ Run the business efficiently.
- ➔ Proper utilization of capital and other resources.
- ➔ Growth and appreciation of capital.
- ➔ Regular and fair return on capital invested.

**ii). Responsibility towards Investors**

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

**iii). Responsibility towards Employees**

- ✧ Timely and regular payment of wages and salaries.
- ✧ Proper working conditions and welfare amenities.
- ✧ Opportunity for better career prospects.
- ✧ Timely training and development.

**iv). Responsibility towards Suppliers**

- Dealing on fair terms and conditions.
- Availing reasonable credit period.
- Timely payment of dues.

**v). Responsibility towards Customers**

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

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

**i). Economic Responsibility**

- ✧ A business enterprise is basically an economic entity.

- ✧ Its primary social responsibility is economic produce goods and services that society wants and sells them at a profit.
- ✧ There is little discretion in performing this responsibility.

**ii). Legal Responsibility**

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

**iii). Ethical Responsibility**

- ★ This includes the behavior of the firm that is expected by society but not codified in law.
- ★ Example: respecting the religious sentiments and dignity of people while advertising for a product.
- ★ There is an element of voluntary action in performing this responsibility.

**iv). Discretionary Responsibility**

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

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***“Believe you can and you’re halfway there”***



**CHAPTER- 18****BUSINESS ETHICS AND CORPORATE GOVERNANCE****I. CHOOSE THE BEST ANSWER:**

- Which of the following helps in maximizing sale of Goods to society?
  - Business Success
  - Laws and regulations
  - Ethics
  - Profession at management
- Ethics is important for
  - Top Management
  - Middle Level Managers
  - Non-Managerial Employees
  - All of them
- Which of the following does not ensure effective ethical practices in a Business enterprise.
  - Publication of a code
  - Involvement of Employees
  - Establishment of compliance mechanism
  - None of them
- The role of top management is to guide the entire organisation towards
  - General Behaviour
  - Organisational behavior
  - Ethical upright behavior
  - Individual behavior
- The ethical conduct of employees leading to standard practices results in
  - Good behavior
  - Bad behavior
  - Ethical behavior
  - Correct decision making

**II. VERY SHORT ANSWER QUESTIONS:****1. What is ethics?**

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

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

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

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

- To offer goods at fair prices.
- To pay taxes regularly.
- To listen to consumer's complaints and to reduce them.

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

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

**5. What are MNCs?**

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

### III. SHORT ANSWER QUESTIONS

#### 1. Define business ethics.

‘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 behavior of business people.
- ❏ Business ethics reflects the conduct in the context of business.

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

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

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

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

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

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

### IV. LONG ANSWER QUESTIONS:

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

##### i). Top Management Commitment

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

##### ii). Publication of a “Code”

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

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

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

- ♣ Any organisation following ethical codes in training, recruitment, selection etc., is sure to be profitable.

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

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

#### v). Measuring Results

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

## 2. Describe the code of business ethics.

### *Meaning:*

- ➞ Code of ethics documents the generally accepted principles of ethical conduct.
- ➞ 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:*

- ♣ To offer goods at fair prices.
- ♣ To supply quality goods and not to deal in spurious and sub standard products.
- ♣ To listen to consumer's complaints and to reduce them.
- ♣ To pay fair wages to its employees and not to exploit them.
- ♣ To provide congenial work atmosphere.
- ♣ To keep proper books of accounts and records.
- ♣ To pay taxes regularly.

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

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

#### 4. Discuss the role of International Benchmarking on the working of

##### Companies in India

##### i). ASIA:

- ★ Independent Directors are a requirement for listed companies in all Asian economies.
- ★ The 2012 Singapore corporate governance code recommends a majority of Independent Directors.
- ★ Committees of Boards such as audit, remuneration and Board nomination are required in all Asian economies except Vietnam.
- ★ In China, the Audit Committee is to be composed of Independent Directors only.

##### USA

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

##### JAPAN

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

##### The UK

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

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

- ✕ Considers opportunities throughout the globe though they do the business in a few countries.
- ✕ To invest considerable portion of their assets internationally.
- ✕ They are huge business organisation.
- ✕ It engages in international production and operates plants in a number of countries.
- ✕ They take managerial decisions on a global perspective.
- ✕ They produce in one or a few countries and sell them in most of the countries.
- ✕ Their international operations are integrated into the corporations overall business.

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***"You have to expect things of yourself before you can do them"***

**CHAPTER – 19****SOURCES OF BUSINESS FINANCE****I. CHOOSE THE BEST ANSWER:**

1. What is defined as the provision of money at the time when it is required?  
(a) Finance (b) Bank (c) Cash Management (d) None of these
2. Internal sources of Capital are those that are \_\_\_\_  
(a) generated through outsiders such as suppliers (b) generated through loans from commercial banks  
(c) generated through loans from commercial banks (d) generated within the business
3. Debenture holders are entitled to fixed rate of  
(a) Dividend (b) Profits (c) Interest (d) Ratios
4. Public deposits are the deposits that are raised directly from \_\_\_\_  
(a) The public (b) The directors (c) The auditors (d) The owners
5. Equity shareholders are the \_\_\_\_\_ of a company  
(a) Creditors (b) Owners (c) Debtors (d) Employees
6. Funds required for purchasing current assets is an example for \_\_\_\_  
(a) Fixed Capital requirement (b) Ploughing back of profit  
(c) Working capital requirement (d) Lease financing
7. Which one of the following holder is given voting rights?  
(a) Debentures (b) Preference Shares (c) Equity shares (d) Bonds
8. It may be wise to finance Fixed Assets through \_\_\_\_  
(a) Creditors (b) Long term debts (c) Bank overdraft (d) Bills discounting

**II. VERY SHORT ANSWER QUESTIONS:****1) Write a short note on debentures.**

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

**2) What do you mean by public deposits?**

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

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

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



**4) Name any two internal sources of business finance.**

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

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

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

**III. SHORT ANSWER QUESTIONS:****1. Define Business finance.**

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

– R.C. Osborn

**2. What is pledge?**

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

**3. List sources of raising long-term and short-term finance.****Long Term Finance**

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

**Short Term Finance**

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

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

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

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

- ✿ Short term finance usually refers to finance required by a firm for a period of one year .
- ✿ It is also called as working capital finance.

- ✱ It is required for investments in working capital or current assets like cash and bank balance, accounts receivables and etc.
- ✱ Working capital is required for purchase of raw material, salary and wages of payment, operating expenses.

#### IV. LONG ANSWER QUESTIONS:

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

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

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

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

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

##### i). Short Term Finance

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

##### ii). Medium Term Finance

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

##### iii). Long Term Finance

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

##### B). On the Basis of Ownership

- i). Owners Fund      ii). Borrower Funds

##### i). Owners Fund

- i). Equity Shares      ii). Retained Earnings

##### ii). Borrower Funds:

- i). Loan from banks      ii). Loan from financial institution      iii). Debentures  
iv). Public Deposits      v). Lease Financing

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

- i). Internal Source      ii). External Source

##### 2. What are the different types of short term finances given by commercial banks?

##### i). Bank Overdraft

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

**ii). Trade Credit**

- It is the credit extended by one trader to another for the purpose of purchasing goods and services.
- Purchaser need not pay money immediately after the purchase.
- Such credit appears in balance sheet as Trade Creditors, or Accounts Payable.
- Trade credit is very simple and convenient method of raising short term finance.

**iii). Mortgage**

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

**iv). Loans against the Securities**

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

**v). Clean Loan**

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

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

- ♣ Retained earnings refer to the process of retaining a part of net profit year after year and reinvesting them in the business.
- ♣ It is also termed as ploughing back of profit.
- ♣ An individual would like to save a portion of his/her income for meeting the contingencies and growth needs.
- ♣ It is described to be the most convenient and economical method of finance.

**b). Lease Financing:**

- ✧ Lease financing denotes procurement of assets through lease.
- ✧ For many small and medium enterprises, acquisition of plant and equipment and other permanent assets will be difficult in the initial stages.
- ✧ In such a situation Leasing is helping them to a greater extent.
- ✧ Leasing here refers to the owning of an asset by any individual which will be given for use to another needy business enterprise on a rental basis.

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

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

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

#### b). Borrowed Funds

- ✓ The term 'borrowed funds' denotes the funds raised through loans or borrowings.
- ✓ For example debentures, loans from banks and financial institutions, public deposits, trade credit, lease financing, commercial papers, factoring, etc. represent borrowed funds.
  - ✱ These borrowed sources of funds provide specific period before which the fund is to be returned.
  - ✱ Borrower is under legal obligation to pay interest at given rate at regular intervals to the lender.
  - ✱ Generally borrowed funds are obtained on the security of certain assets like bonds, land, building, stock, vehicles, machinery, documents of title to the goods, and the like.

### 5. Explain any four personal investment avenues.

#### i). Public Provident Fund (PPF)

- It is the safest long-term investment option for the investors in India.
- It is totally tax free.
- PPF account can be opened in bank or post office.
- The money deposited cannot be withdrawn before 15 years and an investor can earn compound interest from this account.

#### ii). Mutual Funds

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

#### iii). Real Estate Investment

- ✱ Real estate is one of the fastest growing sectors in India.
- ✱ Buying a flat or plot is supposed to be the best decision amongst the investment options.
- ✱ The value of the real asset may increase substantially depending upon the area of location and other support facilities available therein.

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

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

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***"It always seems impossible until its done"***

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

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

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

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

**2) What is a Depository Receipt?**

A depository receipt is a negotiable financial instrument issued by a bank to represent a foreign company's equity shares or securities.

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

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

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

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

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

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



### III. SHORT ANSWER QUESTIONS:

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

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

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

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

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

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

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

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

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

##### iii). Exploiting Cheap Labour

- ★ Foreign enterprises employ cheap labour force at a lower pay in developing countries.
- ★ They do not employ local people for higher posts in the management.
- ★ Further they do not extend the privileges they usually give to the employees in their home country to the employees of the host country.
- ★ Thus they are stated to exploit the labour in developing countries.

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

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

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

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

#### IV. LONG ANSWER QUESTIONS:

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

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

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

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

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

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

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

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

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

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

- ✧ FDI provides inflow of foreign exchange resources into a country.
- ✧ This helps the country to solve adverse balance of payment position.

##### iii). Faster Economic Development

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

##### iv). Generating Employment Opportunities

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

##### v). Encouraging Competition in Host Countries

- ➔ Entry of FDI into developing country promotes healthy competition therein.
- ➔ This leads to enterprise in developing countries operating efficiently and effectively in the market.
- ➔ Consumers get a variety of products of good quality at market determined price which usually benefits the customers.

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***“Don’t let what you cannot do interfere with what you can do”***

**CHAPTER- 21****MICRO, SMALL AND MEDIUM ENTERPRISES AND SELF HELP GROUPS****I. CHOOSE THE BEST ANSWER:**

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

**II. VERY SHORT ANSWER QUESTIONS:****1. What do you understand by the manufacturing enterprises?**

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

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

- ♣ Clay Pot Making
- ♣ Fruits and Vegetable Vendors
- ♣ Transport (three wheeler tempos and autos)
- ♣ Repair Shops
- ♣ Cottage Industries
- ♣ Small Industries,
- ♣ Handlooms
- ♣ Handicraft Works

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

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

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

- ☆ Self Help Group is a small informal voluntary association.

- ☆ It's created for the purpose of enabling members to reap economic benefit out of mutual help, solidarity, and joint responsibility.

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

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

**III. SHORT ANSWER QUESTIONS:**

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

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

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

- ★ Textiles
- ★ Electronic Products
- ★ Engineering Products
- ★ Auto Ancillaries
- ★ Leather Products
- ★ Chemicals
- ★ Plastics
- ★ Garments
- ★ Jewellery

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

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

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

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

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

- ❖ Banks lend directly to the SHGs.



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

#### IV. LONG ANSWER QUESTIONS:

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

###### *Meaning:*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

###### **ii). Low Production Cost**

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

###### **iii). Low Investment**

- ⊗ MSMEs do not require a huge capital to start the unit.
- ⊗ It can employ locally available resources within the reach of the owner.

- ✧ They help to perfect and promote traditional family skills and handicrafts.
- ✧ These industries facilitate the growth of local entrepreneurs and self employed professionals in small towns and villages.

#### iv). Quick Decision Making

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

#### v). Supplementary Role

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

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

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

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***“Start where you are. Use what you have. Do what you can ”***

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

- The purchase of goods from Foreign Country is called \_\_\_\_\_.  
(a) Import (b) Export (c) Entrepot (d) Re-export
- When goods are Imported for the purpose of Export is called as \_\_\_\_\_.  
(a) Foreign Trade (b) Home Trade (c) Entrepot Trade (d) Trade
- \_\_\_\_\_ acts as a connecting link between the producer and the consumer.  
(a) Trade (b) Industry (c) Commerce (d) Business
- The aim of home trade is \_\_\_\_\_.  
(a) To raise the standard of living (b) To provide the essential goods and services economically  
(c) To raise the National Income (d) To obtain all types of goods
- Internal trade can be classified in to \_\_\_\_\_ categories.  
(a) Three (b) Four (c) Two (d) Five

**II. VERY SHORT ANSWER QUESTIONS:****1. Give the meaning of Trade?**

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

**2. What is Internal Trade?**

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

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

This is example for Import Trade.

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

This is example for Export Trade

**5. How do you classify Trade?**

- ➞ Internal trade
- ➞ External trade

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

- ✱ Wholesale Trade
- ✱ Retail Trade

**7. What is import trade?**

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

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

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

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

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

This is a Multinational Trade

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

In India the currency used for Indian Rupees.

## III. SHORT ANSWER QUESTIONS:

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

#### i). Import Trade

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

#### ii). Export Trade

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

#### iii). Entrepot Trade

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

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

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

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

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

**Examples:**

- ❖ Export of Iron ore from India to Japan
- ❖ Selling of Tea from India to England.
- ❖ Export of jasmine flowers from Madurai to Singapore
- ➔ Export trade is necessary to sell domestic surplus goods, to make better utilization of resources.
- ➔ To earn foreign exchange, to increase national income.
- ➔ To generate employment and to increase Government revenue

### 4. What is Wholesale trade?

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

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

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

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

- ✕ Saravana medical Centers, Dindigul
- ✕ Udhayam Super Market, Dindigul
- ✕ Sangeetha Mobile Store, Dinndigul
- ✕ Vijaya Medical Center, Dindigul

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

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

## IV. LONG ANSWER QUESTIONS:

### 1. What are the features of Internal trade?

- ✱ The buying and selling of goods takes place within the boundaries of the same country.
- ✱ Payment for goods and services is made in the currency of the home country.
- ✱ It involves transactions between the producers, consumers and the middlemen.
- ✱ In home trade the laws prevailing in that country only have to be followed.
- ✱ The aim of home trade is to provide the goods and services economically.
- ✱ The goods must be a part of domestic production.

### 2. Explain briefly the different types of Foreign trade?

#### i). Import Trade

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

#### ii). Export Trade

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

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

#### iii). Entrepot Trade

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

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***"The secret of success is to do the common things uncommonly well"***



## CHAPTER – 23

### CHANNELS OF DISTRIBUTION

#### I. CHOOSE THE BEST ANSWER:

1. Trade middlemen who acts as a link wholesaler and customer refers to a  
 (a) Producer (b) Broker (c) retailer (d) customer
2. Who is the First middlemen in the channel of distribution?  
 (a) Wholesaler (b) Producer (c) Retailer (d) customer
3. \_\_\_\_\_ buys goods from the producer add sell it to the retailer.  
 (a) Manufacturer (b) Wholesaler (c) Retailer (d) Consumers
4. \_\_\_\_\_ are agents who merely bring the buyer and the seller into contact.  
 (a) broker (b) Commission agent (c) selling Agent (d) Stockiest
5. Merchant middlemen can be classified into \_\_\_\_\_ categories  
 (a) three (b) two (c) Five (d) Four
6. Wholesaler deals in \_\_\_\_\_ quantity of goods.  
 (a) Small (b) Large (c) Medium (d) Limited
7. A \_\_\_\_\_ is a mercantile agent to whom goods are entrusted for sale by a principal and take possession of the goods, but does not obtain ownership.  
 (a) Broker (b) Factor (c) warehouse keeper (d) Commission agent

#### II. VERY SHORT ANSWER QUESTIONS:

##### 1. Who is a middleman?

The term 'Middlemen' refers to all those who are in the link between the primary producer and the ultimate consumer in the exchange of goods or service.

##### 2. Define Wholesaler.

“A true wholesaler is himself neither a manufacturer nor a retailer but act as a link between the two”.

– Evelyn Thomas

##### 3. Define Retailer.

The retailer is the last of the many links in the economic chain whereby the consumer's wants are satisfied smoothly and efficiently by retailers.

- S. Evelyn Thomas

##### 4. Who is a broker?

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

## 5. What are the classifications of the merchant middlemen?

- ♣ Brokers
- ♣ Factors
- ♣ Commission Agents
- ♣ Del- Credere Agents
- ♣ Auctioneers
- ♣ Warehouse keepers.

## 6. Who are the mercantile agents?

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

## III. SHORT ANSWER QUESTIONS:

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

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

### 2. Who is a factor?

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

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

#### i). Broker:

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

#### ii). Factor:

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

#### iii). Commission Agents:

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

All risks connected with his transactions are borne by the principal.

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

- ✱ Wholesalers buy goods directly from producers or manufacturers,
- ✱ Wholesalers buy goods in large quantities and sell in relatively smaller quantities,

- \* They need large amount of capital to be invested in his business,
- \* They generally provide credit facility to retailers,

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

### i). Economies in Large Scale:

- ❖ A wholesaler buys goods in bulk and, thereby, enables the producers to produce goods on a large scale.
- ❖ Large scale production helps to reduce the cost of production per unit.

### ii). Assistance in Distribution:

- \* Wholesalers collect orders from a large number of retailers scattered over a wide area and buy goods in bulk from producers.
- \* He enables producers to reach customers scattered over different parts of the country by distributing goods through retailers located in different areas.

### iii). Warehousing Facility:

- ★ A wholesaler holds large stock of goods in his private warehouse or in a rented warehouse.
- ★ In this way he relieves the manufacturer from the function of warehousing.

## IV. LONG ANSWER QUESTIONS:

### 1. What are the characteristics of retailers?

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

### 2. What are the functions of Wholesalers?

#### a. Collection of Goods:

Wholesaler collects the goods from manufacturers or producers in bulk.

#### b. Storage of Goods:

- ❖ Wholesaler collects and stores them safely in warehouses, till they are sold out.
- ❖ Perishable goods like fruits, vegetables, etc. are stored in cold storage facility.

#### c. Distribution:

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

#### d. Financing:

- Wholesalers provide financial support to producers and manufacturers by providing money in advance to them.
- He also sells goods to retailer on credit.

**e. Risk Taking:**

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

**3. What are functions of Retailers?****i). Buying:**

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

**ii). Storage:**

- ▲ A retailer maintains a ready stock of goods and displays them in the shop.

**iii). Selling:**

- ✱ The retailer sells the goods in small quantities according to the demand taste and preference of consumers.
- ✱ He employs efficient methods of selling to increase his sales turnover.

**iv). Grading and Packing:**

- ♣ The retailer grades the goods which are not graded by manufacturers and wholesalers.
- ♣ He packs goods in small lots for the convenience of consumers.

**v). Risk-bearing:**

- ✕ A retailer always keeps stock of goods in anticipation of demand and bears the risk of loss due to fire, theft, spoilage, price fluctuations, etc.

**4. Explain the services rendered by wholesalers to retailers.****i). Financial Assistance:**

- ➔ Wholesalers provide financial assistance to retailers by selling goods on credit.
- ➔ This is done by allowing credit to retailers purchasing goods from them
- ➔ This helps retailers to manage their business with small amount of working capital.

**ii). Meeting the Requirements:**

- ✱ Due to limited capital and lack of space in his facility a retailer cannot hold large variety of products.
- ✱ The wholesaler removes this difficulty by selling goods as and when the retailer requires.

**iii). Introduction of New Products:**

- ✕ Wholesalers bring new products and their uses to the notice of retailers.
- ✕ Thus retailers get knowledge about innovated products and innovated features.

**iv). Price Stability:**

- Wholesalers reduce price fluctuations by adjusting supply and demand and save the retailers from loss arising from price fluctuations.

**v). Economy in Transport:**

- ❖ A wholesaler often delivers goods at the door steps of retailers and save their time and cost of transport.

**5. What are the services rendered by retailers to wholesalers?****i). Help in Distribution:**

Retailers relieve the manufacturers and wholesalers of the burden of collecting and executing a large number of small orders from various consumers.

**ii). Market Information:**

Retailer supply valuable information to wholesalers about changes in tastes, preferences, fashion etc. of consumers.

**iii). Large Scale Operation**

- ➡ The manufacturers and wholesalers are freed from the trouble of making individual sales to consumers in small quantities.
- ➡ This enables them to operate on, at relatively large scale and thereby fully concentrate on their other activities

**iv). Help in Promotion**

- ❖ Retailers participate in the promotional activities carried by manufacturers and wholesalers such as short time offers, coupons, free gifts, sales contests, etc.
- ❖ Retailers help in promoting the sale of the products.

**v). Personal Attention:**

- ✧ The retailer is able to provide more personal attention to his customers than the wholesaler is, He gives special services on the spot when the articles require minor repairs.

**6. Explain the services rendered to consumers by Retailers.****i). Regular Supply of Goods:**

- ♣ Retailers maintain a ready stock of various products of different manufacturers for sale to consumers.
- ♣ This enables the buyers to buy products as and when needed.

**ii). New Products Information:**

- ✳ The retailers provide important information about the new arrival of products through their personal. Selling efforts and effective display of products.

**iii). Credit Facilities:**

- ➔ Sometimes retailers provide credit facilities to their customers.
- ➔ It enable them to increase their level of consumption.



**iv). Wide Selection:**

- ♣ Retailers generally keep stock of a variety of products of different manufacturers.
- ♣ This enables the consumers to make their choice out of a wide selection of goods.

**v). Miscellaneous Services**

- ✱ Retailers provide free door delivery services to the customers.
- ✱ They provide after sale service to customers.
- ✱ They allow cash discounts on their sales.

**7. What are the factors affecting a channel of distribution?****i). Market Characteristics**

- The size of the market for the goods is a major factor while selecting the route for distribution of products.
- Distribution in large geographical area requires more middlemen.
- Middlemen are not required to distribute products in a limited area.

**ii). Number of Consumers**

- Large purchases made by few consumers require centralized distribution.
- Large number of consumers making purchases in small quantities requires more middlemen.

**iii). Cost and Time Involved in the Channel of Distribution**

- ➡ The channel cost should go along with the quality of service provided by middlemen.
- ➡ Ordinary goods are routed through economical channel even though the time taken by the channel for delivery is more.

**iv). Services Required along with the Product**

- Machinery or equipment which need to be installed and demonstrated should be sold with shorter channel.
- Technical services can be provided by manufacturers or by their trained technicians.
- Therefore a shorter channel is preferred for sales.

**v). Life Cycle of the Product**

- ✓ An established product can select an ordinary channel.
- ✓ But a new product entering into the market should be carefully promoted by experienced middlemen.



***“Good things come to people who wait but better things come to those who go out and get them”***

**CHAPTER – 24****RETAILING****I. CHOOSE THE BEST ANSWER:**

1. Retailers deal in \_\_\_\_\_ quantity of goods.  
(a) Small (b) Large (c) Medium (d) Limited
2. Small scale fixed retailers include  
(a) General stores (b) Pedlars (c) Cheap Jacks (d) Hawkers
3. Small shops which deal in a particular line of products are called as  
(a) Market Traders (b) Single line stores (c) Sugar Market (d) Street stalls
4. \_\_\_\_\_ mobile traders who deal in low priced articles with no fixed place of business  
(a) Shopping mall (b) Super Markets (c) Street Stalls (d) Itinerant traders

**II. VERY SHORT ANSWER QUESTIONS****1. What is Retailing?**

Retailing is the process of selling the goods and services directly to the ultimate consumers in small quantities.

**2. State the meaning of multiple shops.**

A number of identical retail shops with similar appearance normally deal in standardized and branded consumer products established in different localities owned and operated by manufacturers are called as Multiple Shops.

**3. Mention any two benefits of Vending Machines.**

- ♣ Automatic vending machine is a new form of direct selling.
- ♣ It is a machine operated by coins or tokens.
- ♣ Its are placed at a convenient location such as railway stations, airports, petrol pumps, etc.

**4. What are specialty stores?**

Speciality Stores deal in a particular type of product under one product line only.

**III. SHORT ANSWER QUESTIONS****1. Explain the features of general stores.**

- ♣ General Stores sell a wide variety of products under one roof, most commonly found in a local market.
- ♣ Residential areas to satisfy the day-to-day needs of the customers residing in nearby localities.
- ♣ They remain open for long hours at convenient timings.
- ♣ Its provide credit facilities to their regular customers.
- ♣ For example, a provision store deals in grocery, bread, butter, toothpaste, soaps, washing powder, soft drinks, confectionery, stationery, cosmetics, etc.

## 2. Give any four points of distinction between Hire Purchase System and Installment System of selling.

S.No	Basis	Hire Purchase System	Installment System
01	Contract of Sale	It is not a contract of sale	It is a contract of sale
02	Transfer of ownership	Ownership passes to the buyer only after the final installment has been paid	Ownership passes to the buyer as soon as he has paid the first installment
03	Rights of buyer	The buyer cannot hire, sell or pledge the articles bought.	The buyer can do anything with the article.
04	Action on default	The seller can take back the goods in case of default by buyer in payment of any installment	The seller can take back the goods the goods even if there is default in payment of any installment

## 3. Explain the characteristics of super markets.

- ✱ Supermarkets are generally situated at the main shopping centers.
- ✱ The goods are sold on cash basis only. No credit facilities are made available.
- ✱ Supermarkets are organized on departmental basis.
- ✱ It requires huge investment.

## 4. What is meant by 'Mail Order Retailing'?

- ♣ Mail order houses are the retail outlets that sell their merchandise through mail.
- ♣ There is generally no direct personal contact between the buyers and the sellers in this type of trading.

## IV. LONG ANSWER QUESTIONS

### 1. State the features of Departmental stores.

#### i). Large Size:

- ➔ A department is a large scale retail showroom requiring a large capital investment by forming a joint stock company managed by a board of directors.
- ➔ There is a Managing Director assisted by a general manager and several department managers.

#### ii). Wide Choice:

- ✓ It acts as a universal provider of a wide range of products from Pin to Car.
- ✓ To satisfy all the expected human needs under one roof

#### iii). Departmentally organized

- Goods offered for sale are classified into various departments.
- Each department specializes in one line of product and operates as a separate unit.

#### iv). Facilities provided:

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

### v). Centralized purchasing

- ✱ All the purchases are made centrally and directly from the manufacturers.
- ✱ It operates separate warehouses whereas sales are decentralized in different departments.

## 2. What is meant by Consumer Cooperative Store? Explain its merits in brief.

### Meaning:

A consumer's cooperative store is a retail organisation owned, managed and controlled by the consumers themselves to obtain products of daily use at reasonable low prices.

### Merits:

- ✧ The capital of a cooperative store is raised by issuing shares to members.
- ✧ The management of the store is democratic and entrusted to an elected managing committee, where one man one vote is the rule.
- ✧ The cooperative stores are very famous in Tamilnadu.
- ✧ For example, Kamadhenu and Chinthamani cooperative supermarkets in Chennai, Karpagam in Vellore, etc.

## 3. Describe the role of chambers of commerce in promotion of internal trade.

### Meaning

- ✧ The Chamber of Commerce and Industry is an association of business and industrial houses like merchants, financiers, manufacturers, etc. in a locality, region, or state.
- ✧ The main objective of these associations is to promote and protect the interest and goals of Indian commerce and industry.

### Functions:

- ➞ They act as national guardians of trade, commerce and industry.
- ➞ They act as a catalyst in strengthening the internal trade of the country.
- ➞ Interact with Government with regard to formulation and implementation of related policies.

### Association or Chambers in India

- ♣ Confederation of Indian Industry (CII)
- ♣ Madras Chamber of Commerce, Chennai.
- ♣ Tamil Nadu Traders Associations.

### Role of Association or Chambers:

#### i). Transportation or inter-state movement of goods

- ✱ The Chambers facilitate registration of vehicles, surface transport policies, construction of highways and roads in promoting interstate movement of goods.

#### ii). Harmonization CGST and SGST structure.

**iii). Marketing of agro products and related issues**

- ➔ The associations of agriculturists and other federations interact with farming cooperatives to streamline local subsidies and formulate marketing policies for selling agro products.

**iv). Weights and measures and prevention of duplication of brands**

- ✱ They help the Government in formulation and implementation of uniform policies in weights and measures and prevention of duplication of brands.

**v). Promoting sound infrastructure**

- ❖ They interact with Government to construct roads, ports, electricity, railways, etc.

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***“Strive for progress, not perfection ”***



**CHAPTER – 25****INTERNATIONAL BUSINESS****I. CHOOSE THE BEST ANSWER:**

1. Movement of goods, services, intellectual property, human assets, technology and so on among the countries.  
(a) International Trade (b) International Business (c) Entrepot Trade (d) Internal Trade
2. Goods are imported for purpose of re-export to another country is termed as \_\_\_\_\_.  
(a) Import Trade (b) Export Trade (c) Entrepot Trade (d) International Trade
3. Movement Of Goods, Services among the Countries  
(a) International Trade (b) International Business (c) Entrepot Trade (d) Internal Trade
4. Selling of Goods from home country to foreign country is called  
(a) Home Trade (b) Entrepot Trade (c) Foreign Trade (d) Joint-venture

**II. VERY SHORT ANSWER QUESTIONS****1. What do you mean by international business?**

- International business denotes all those business activities which take place beyond the geographical limits of the country.
- It involves not only the international movements of goods and services.

**2. What is meant by Export Trade?**

When the firm of country sells goods and services to a firm of another country it is called export trade.

**3. What is meant by Import Trade?**

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

**4. What is meant by Entrepot Trade?**

When the firm of country imports goods for the purpose of exporting the same goods to the firms of some other country with or without making any change in the goods meant for export it is known as Entrepot trade

**5. Give any two reasons for International Business.**

- ⊙ Due to varying climatic conditions prevailing across the world certain resources are abundantly available in some countries.
- ⊙ In such case countries with surplus resources have to exchange them with other countries for its deficit resources.

**III. SHORT ANSWER QUESTIONS****1. Describe importance of the external trade to an economy?****i). Unequal Distribution of Natural Resources.**

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

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

## ii). Specialization.

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

## iii). Cost Benefit.

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

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

- ✱ The country may not have any accessible trade routes connecting the importing country
- ✱ There may not have any bilateral trade agreement between both the country
- ✱ Importer and exporter may not share good economic relation with each other

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

### a). Import of Harmful Goods.

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

### b). Misuse of Natural Resources.

- ✱ Excessive export of scarce natural resources to various countries across the world may lead to faster depletion of the resources in the exporting countries.
- ✱ This in turn may bring about ecological disaster in the country from which it is exported.

### c). Rivalry among the Nations.

- ➞ Acute competition for exports may lead to rivalry among the nations.
- ➞ This may lead to conflict of interest among the countries and end up in wars among them.

## IV. LONG ANSWER QUESTIONS

### 1. List out the advantages of international trade

#### i). Geographical Specialization:

- ❖ Countries across the world differ significantly in terms of natural resources, capital equipment, manpower, technology and land and so on.
- ❖ International business is required to exchange the surplus resources resulting from geographical specialization for deficit resources in other countries

#### ii). Economic Development:

- ✱ International business helps the developing countries greatly in achieving rapid economic development.
- ✱ For example China, India, Brazil and South Korea

**iii). Generation of Employment:**

- ✳ International business generates employment opportunities by assisting the expansion.
- ✳ It provides direct employment to those people who are hired by export and import firms.

**iv). Higher Standard of Living:**

- ❖ The citizens of the country can buy more varieties of goods and services which cannot be produced cost effectively within the home country.
- ❖ This exchange of goods and services among the countries enhances the standard of living of people.

**v). Prospects for Higher Profit:**

- ✳ International business helps the firms which produce goods in excess to sell them at relatively higher price to various countries in the international market.
- ✳ This enables them to earn higher profit.

**2. Enumerate the disadvantages of international trade****a). Inhibition of Growth of Home Industries.**

- ★ International business may discourage the growth of indigenous industry.
- ★ Unrestricted imports and severe competition from foreign companies may ruin the home industries altogether.

**b). Import of Harmful Goods.**

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

**c). Shortage of Essential Goods in Home Country.**

- ✳ Moreover the export of essential commodities out of the greed of earning more foreign exchange may result in absolute shortage of these goods at home country and people may have to buy these commodities at exorbitant price in the local market.

**d). Misuse of Natural Resources.**

- ✳ Excessive export of scarce natural resources to various countries across the world may lead to faster depletion of the resources in the exporting countries.
- ✳ This in turn may bring about ecological disaster in the country from which it is exported.

**e). Rivalry among the Nations.**

- ➞ Acute competition for exports may lead to rivalry among the nations.
- ➞ This may lead to conflict of interest among the countries and end up in wars among them.

### 3. Distinguish between internal and international trade

S.No	Basis	Internal Trade	International Trade
01	Meaning	It refers to business transactions transacted within the geographical boundaries of a country	It refers to the business transactions transacted in beyond the boundaries of a country
02	Participants in the business	With in the country people	Outside of the country people
03	Mode of transpo	It is mainly transported by roadways and railways.	It is mainly transported by water and airways
04	Currency used	Local currency of a country.	Foreign currencies.
05	Risk Exposure	The risks are relatively less.	This risks are high
06	Scope of market	The scope of market is Limited	The scope of market is unlimited

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***“Success is the sum of small efforts, repeated day in and day out ”***

**CHAPTER - 26****EXPORT IMPORT PROCEDURES****I. CHOOSE THE BEST ANSWER:**

- EPC stands for
  - Export Processing Commission
  - Export Promotion Council
  - Export Carriage Council
  - Export Promotion Congress
- STC is expansion of
  - State Training Centre
  - State Training Council
  - State Trading Centre
  - State Trading Corporation
- An \_\_\_\_\_ is a document prepared by the importer and sent to the exporter to buy the goods.
  - Invoice
  - Indent
  - Enquiry
  - Charter party
- The \_\_\_\_\_ receipt is an acknowledgement of receipt of goods on the ship issued by the Captain.
  - Shipping Bill
  - Bill of Lading
  - Mate's Receipt
  - Consular Invoice
- The Exporters appoint the \_\_\_\_\_ agent to fulfill the customs formalities.
  - Clearing Agent
  - Forwarding Agent
  - Commission Agent
  - Factor

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

- ☆ An indent actually points to an order received from abroad for export of goods. i.e. sale of goods.
- ☆ The indent contains the details in the box.
- ☆ Indent is prepared in duplicate.

**2. Write any two export promotion institutions.**

- ✱ Export Promotion Council
- ✱ State Trading Corporation

**3. Mention the types of Indent.**

- ✱ Open Indent
- ✱ Closed Indent
- ✱ Confirmatory Indent.

**4. What is the Letter of credit?**

Letter of Credit (LC) is an undertaking by its issuer that bills of exchange drawn by the foreign dealer on the importer will be honored upon its presentation by exporter's bank up to a specified amount.

**III. SHORT ANSWER QUESTIONS****1. What are the contents of Indents?**

- ✱ Quantity of goods sent
- ✱ Design of goods



- ✱ Price
- ✱ Nature of packing shipment
- ✱ Mode of shipment
- ✱ Period of delivery
- ✱ Mode of payment

## 2. What is meaning of consular invoice?

- ✎ Where the customs duties are charged on the basis of value of goods at import's port.
- ✎ The customs officers are empowered to open the consignment to calculate duties.
- ✎ In order to avoid this problem exporter obtains consular invoice and sends it over to the importer.
- ✎ 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.

## 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 specific time period when the shipping is heavy.
- ✱ The hiring of ship for specific voyage is called voyage charter.
- ✱ This hiring of entire ship for a specific time period is called time charter

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

- ♣ It is the document issued by the captain of the ship acknowledging the receipt of goods on board.
- ♣ This contains details like quantity of goods shipped, number of packages condition for packing.
- ♣ Where the Mate is satisfied with packing he/she issues clean receipt.
- ♣ If he/she is not satisfied with packing, he/she issues foul receipt.

## 5. What is Bill of Lading?

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

## IV. LONG ANSWER QUESTIONS

### 1. What are the procedures relating to Export trade?

#### i). Receiving Trade Enquiry

- Exporter receives trade enquiry from the importer / his agent who intends to buy the product.
- In the first place importer requests the exporter to supply the information given right below.
  - ➞ Quantity of goods available.
  - ➞ Price per unit
  - ➞ Terms and conditions of shipment

- ➔ Terms and conditions of payment
- ➔ Probable delivery time

## ii). Receiving Indent and Sending Confirmation

After the scrutiny of quotation / proforma invoice, the buyer who intends to buy the goods sends an indent to exporter.

- ✳ An indent actually points to an order received from abroad for export of goods. i.e. sale of goods.
- ✳ The indent contains the details in the box.
- ✳ Indent is prepared in duplicate.

## iii). Arranging Letter of Credit

- ➔ Under this stage exporter intends to satisfy himself/herself about the trust worthiness of the importer.
- ➔ Letter of Credit (LC) is an undertaking by its issuer that bills of exchange drawn by the foreign dealer on the importer will be honored upon its presentation by exporter's bank up to a specified amount.

## iv). Obtaining Importer Exporter Code and RBI code Number

- Exporter has to apply in Ayaab Niryatt Form 2A to the Regional Authority of the Director General of Foreign Trade in the region where the registered office of the company is located.
- Exporter has to mention the number in all the shipping documents.
- However IEC number is not required where the goods are exported/imported for the personal use of importer and not for trade/ manufacture or agriculture purpose.

## v). Export Inspection Certificate

- ✳ After the goods have been packed as per the specifications of importer, the exporter has to apply to the Export Inspection Agency in this connection.
- ✳ The agency sends an inspector to inspect the consignment

## 2. Distinguish between Bill of Lading and Charter Party

S.No	Basis	Bill of Lading	Charter Party
01	<b>Transferable</b>	It can be transferred to third party by endorsement and delivery	It cannot be transferred to third party
02	<b>Loan</b>	Loan can be raised against it	Loan cannot be raised against it
03	<b>Crew</b>	Master and crew remain the agent of ship owner	Master and crew become the agent of exporter for a temporary period
04	<b>Lease</b>	It is not a lease of ship	It is a lease of ship

### 3. What are the documents used in Export Trade?

#### i). Documents Related to Goods:

- ✿ Indent
- ✿ Certificate of origin
- ✿ Certificate of Inspection

#### ii). Documents Related to Shipment

- ❖ Mate's Receipt
- ❖ Shipping Bill
- ❖ Shipping Order
- ❖ Bill of Lading
- ❖ Marine Insurance Policy
- ❖ Consumer Invoice

#### iii). Documents Related to Payment

- ✱ Letter of Credit
- ✱ Commercial Invoice
- ✱ Bills of Exchange
- ✱ Bank Certificate Payment

### 4. Explain the various functions of Export Trading Houses.

- ✱ Identifying potential market for a product
- ✱ Finding buyers and their agent and eliciting their response for export proposal.
- ✱ Preparing the goods for delivery at destination
- ✱ Determining buyer's creditworthiness
- ✱ Negotiating the transactions
- ✱ Financing the transactions and paying for goods and service received.
- ✱ Preparing document for international trade
- ✱ Settling claim.

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***"Don't wish it were easler; Wish you were better "***

## CHAPTER – 27

### FACILITATORS OF INTERNATIONAL BUSINESS

#### I. CHOOSE THE BEST ANSWER:

1. General Agreement on Tariff and Trade was signed on  
 (a) 30-October-1947      (b) 29-October-1947      (c) 28-October-1947      (d) 26-October-1947
2. WTO was established on  
 (a) 1-1-1996      (b) 1-1-1997      (c) 1-1-1995      (d) 1-1-1994
3. The headquarter of WTO is located at  
 (a) New York      (b) London      (c) Geneva      (d) Brazil
4. The day to day administration of WTO is entrusted with  
 (a) Executive Council      (b) General Council      (c) Administrative Council      (d) General body
5. World bank is located at  
 (a) Washington DC      (b) New York      (c) Tokyo      (d) Hongkong

#### II. VERY SHORT ANSWER QUESTIONS:

##### 1. What is WTO?

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

##### 2. What do you mean by World Bank?

- ✱ International Bank for Reconstruction and Development International Bank for Reconstruction and Development is commonly known as World Bank.
- ✱ It was set up in 1944 in order to reconstruct and rehabilitate First World War affected countries of Europe and assist in the development of developing countries.
- ✱ It is located at Washington DC. It has its offices all over the world.

##### 3. What is Special Drawing Rights?

- ❖ SDR was created by the IMF in the year 1969 as supplementary international reserve asset.
- ❖ It is described as paper gold

##### 4. What is SAARC?

- ✱ South Asian Association for Regional Cooperation is the regional inter governmental organization and geo-political union of nations in South Asia.
- ✱ The member countries include Afghanistan, Bangladesh, Bhutan, India, Nepal, Srilanka, Pakistan and Maldives.
- ✱ It was established on 8<sup>th</sup> December 1985. It was founded at Dhaka in Bangladesh.

## 5. What is GATT?

- ✧ International business involved complex issues among various countries way back in 1950's.
- ✧ A keen need then was felt to establish separate mechanism for regulating and controlling trade relation across the countries around the world.
- ✧ As a result, the General Agreement on Tariffs and Trade was signed at Geneva on 30th October 1947 by 23 countries.

## III. SHORT ANSWER QUESTIONS:

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

- ✧ Improving the standard of living of people in member countries
- ✧ Making optimum utilization of world's resources for sustainable development of member countries.
- ✧ Expansion of trade in goods and services
- ✧ Ensuring full employment and large steady growth volume of real income and effective demand

### 2. Name the affiliate of World Bank

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

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

#### i). Most Favored Nation Principles

- ✧ This is the core of WTO rules.
- ✧ Under this rule member countries are advised not to discriminate among the home enterprises, multi-nationals and foreign enterprises.

#### ii). Failure to Reduce Tariffs on Agriculture

- ✧ WTO failed to convince the USA and European Unions to eliminate high tariff on agriculture .
- ✧ It defends high tariff on agriculture in USA and EU.
- ✧ This would undoubtedly hurt the farmers in developing countries.

#### iii). Neglect of Cultural and Social Factors

- WTO is criticized for promoting the domination of multinational companies which are feared to eliminate local enterprises from business world altogether.
- The growth of MNC's is feared to ruin cultural diversity of many developing countries.

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

- ✧ It is calculated as the sum of specific amount of each basket currency value in US dollar based on the spot exchange rates observed at noon London time.
- ✧ IMF allocates SDR to member countries in proportion to their quota.



## 5. Mention the functions of SAARC.

- ➔ Monitoring and co-coordinating the development programme
- ➔ Determining inter-sectoral priorities
- ➔ Mobilizing cooperation within and outside the region.
- ➔ Dealing with modalities of financing

## IV. LONG ANSWER QUESTIONS:

### 1. Point out the objectives of WTO

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

### 2. Write down the functions of WTO.

- ✱ It is a forum for negotiation and formalization of trade agreement among the member countries.
- ✱ It settles disputes and grievances relating to trade among the member countries.
- ✱ It frames commonly acceptable code of conduct in order to reduce trade barriers.
- ✱ It holds consultations with IMF and World Bank (IBRD) and its affiliates to bring about a greater understanding and co-operation in global economic policy making.
- ✱ It supervises the operations of agreement relating to General Agreement on Tariffs and Trade (GATT) and Trade-Related Intellectual Properties Rights (TRIPS)
- ✱ It regulates trade between participating countries.

### 3. Describe the benefits of WTO

- ❖ WTO is promoting international peace and creating a conducting international trade.
- ❖ It settles the trade disputes amicably among the member countries.
- ❖ It promotes the standard of living of people by increasing their income level from free trades
- ❖ WTO has removed quantitative restrictions and non-tariff barriers.
- ❖ It stimulates economic growth of developing countries by providing them with much needed capital and giving related matters.
- ❖ WTO organizes periodical regional and international conference. Thus developing countries get opportunity to learn the technicalities, rules and regulations governing world trade.
- ❖ WTO gives people across the world a wider choice of goods and broader range of qualities of goods to choose from by promoting free trade among the member countries.

#### 4. Highlights the functions of IBRD

- ✱ Assisting reconstruction of war-affected countries
- ✱ Promoting economic growth and balanced growth of international business
- ✱ Promoting infrastructural facilities like energy and transportation, road development, etc. in member countries.
- ✱ Encouraging agricultural and industrial development in developing countries by providing adequate resources
- ✱ Providing resources for promoting sanitation, education, health care and small scale enterprises in member countries
- ✱ Improving standard of living of people of member countries by providing assistance by removing poverty, raising productivity, providing technical support and conducting research and development

#### 5. Write down the functions of IMF

- ✱ It acts as short term credit institution at the international level.
- ✱ It provides machinery for ordinary adjustments of exchange rates.
- ✱ It has a reservoir of currencies of the member countries from which a borrower can borrow currencies of other nations.
- ✱ It promotes economic stability and global growth by encouraging countries adopt sound economic and financial policies.
- ✱ It offers technical assistance and training to help member countries strengthen and implement effective policies.
- ✱ It helps member countries correct their imbalance in balance of payment.

#### 6. Explain how far India has benefited from IMF?

##### i). Free Convertibility of Indian Rupee:

- ✱ Indian rupee has become independent after the establishment of IMF.
- ✱ Earlier it was linked with pound sterling.
- ✱ Its value is now determined in terms of Gold.
- ✱ Hence it is freely convertible.

##### ii). Loan For Development Activities:

- ✱ India got several loan facilities from IMF for its several development projects.

##### iii). Ability To Purchase Foreign Currency

- Government of India is able to purchase foreign currencies from time to time to meet the ever growing requirement of development activities.

##### iv). Expert Advice

- India used to get expert advice from IMF for solving the economic problems.
- It has given valuable advice to India with regard to financing its 5 year plan.

**v). Financial Assistance during Natural Calamity**

- India has got a lot of financial assistance from IMF to solve the economic crises arising from natural calamities like, floods, famine, earthquake, aggressions of Chinese and Pakistan etc.
- It gets technical assistance from IMF.

**vi). Membership in World Bank**

- ★ By virtue of its membership in IMF India could become member in the World Bank.
- ★ Solve its balance of payments crisis.

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***“The secret to getting ahead is getting started ”***

**CHAPTER – 28****BALANCE OF TRADE AND BALANCE OF PAYMENTS****I. CHOOSE THE BEST ANSWER:**

1. The Statement which discloses a record of transactions between the resident of one country and resident of Foreign Country.
 

(a) Balance of Payments	(b) Balance of Trade
(c) Statement of receipts and payments	(d) Accounting Statement
2. The balance of Payment Councils Consists of
 

(a) Current Account	(b) Capital Account
(c) Receipts and Payments Account	(d) Both Current Account and Capital Account
3. Foreign Capital long-term loan and Foreign Currency reserve are recorded under
 

(a) Official Capital	(b) Private Capital
(c) Banking Capital	(d) Both private and official Capital
4. The term official capital includes.
 

(a) RBI holdings of foreign currencies	(b) Special drawing rights held by the Government
(c) Both A and B	(d) Foreign Investment
5. Balance of Payment surplus indicates.
 

(a) Exports are more than the Imports	(b) Imports are more than Exports
(c) Exports and Imports are at equilibrium	(d) Exports and Imports are above equilibrium

**II. VERY SHORT ANSWER QUESTIONS****1. What do you mean by Balance of payments?**

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

**2. What do you mean by Balance of trade?**

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

**3. Define Balance of payments**

“The balance of payments for given period is a systematic records of all economic transactions taken place during the period between residents of the reporting countries.”

- International Monetary Fund

**4. What is the composition of private capital?**

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

**5. Mention the components of banking capital.**

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

**6. Mention the components of official capital.**

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

**III. SHORT ANSWER QUESTIONS****1. Why is Balance of payment prepared?**

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

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

- ✱ A Balance of Payment surplus indicates that country's exports are more than its imports and its government and residents are savers.
- ✱ They are in position to have enough capital to pay for its domestic production.
- ✱ As a result it boosts the economic growth in the short term.
- ✱ A Balance of Payment deficit points to the fact that country's import is more than the export.
- ✱ It creates economic development in the short term.

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

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

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

- ✱ Private Capital
- ✱ Banking Capital
- ✱ Official Capital



## IV. LONG ANSWER QUESTIONS

### 1. Write down the structure of capital account

Capital account consists of three components

- ✱ Private Capital
- ✱ Banking Capital
- ✱ Official Capital

#### i). Private Capital

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

#### ii). Banking Capital

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

#### iii). Official Capital

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

### 2. Distinguish balance of payment and balance of trade

S. No	Basis	Balance of Payment	Balance of Trade
01	Meaning	It is a systematic record of all economic transactions happened between the resident of one country and resident of foreign countries during a particular period.	Balance of trade is statement showing the net effect of export and import of a country
02	Nature of Transactions recorded	It records both the transactions relating to goods and services	It records only transactions relating to merchandise , i.e. goods transactions
03	Capital Transactions	It records capital transactions	It does not record capital transactions
04	Net position	It always remains balanced in the sense that receipt side is made equal to payment side	It may be at favorable or unfavorable or in equilibrium state.
05	Indicator Economic Status	It is true indicator of economic performance of an economy	It is not true indicator of economic prosperity or economic relations of country.

### 3. Highlight the features of balance of trade.

- ✱ It is a systematic record of all economic transactions between one country and certain other countries of the world

- ★ It is prepared for a period of three months or twelve months, i.e., usually 12 months
- ★ It contains all receipts and payments both visible and invisible
- ★ It includes all economic transactions both recorded on current account and capital account
- ★ Economic transactions are recorded according to double entry principle of book keeping
- ★ . Accordingly receipts are recorded on credit side and payments are recorded on debit side
- ★ It indicates a country's position in foreign trade

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***"You don't have to be great to start but you have to start to be great "***

**CHAPTER – 29****ELEMENTS OF CONTRACTS****I. CHOOSE THE BEST ANSWER:**

1. An Agreement enforceable by law is a  
(a) enforceable acceptance (b) accepted offer (c) approved promise (d) contract
2. Every promise and every set of promises forming the consideration for each other, is an  
(a) agreement (b) contract (c) offer (d) acceptance
3. Void agreement signifies  
(a) Agreement illegal in nature (b) Agreement not enforceable by law  
(c) Agreement violating legal procedure (d) Agreement against public policy
4. Acceptance to be valid must be absolute  
(a) be absolute (b) be unqualified (c) both be absolute and unqualified (d) be conditional
5. A contract with or by a minor is a  
(a) valid contract (b) void contract (c) voidable contract (d) voidable at the option of either party

**II. VERY SHORT ANSWER QUESTIONS:****1. What is law?**

- ✱ Law means a 'set of rules' which governs our behavior and relating in a civilized society.
- ✱ So there is no need of Law in a uncivilized society.

**2. Why should one know law?**

- ✱ Society requires peace, harmony, justice, social security and order which is possible only through Laws.
- ✱ Every law has a particular field of activity to regulate and govern.

**3. Can a minor enter into a Contract?**

No, a minor cannot enter into contract.

**4. Who can enter into a Contract?**

The Indian Contract Act specifies that every person is competent to contract provided he is of the age of majority according to the law which he is subject to and who is of sound mind.

**5. Define Contract?**

A "contract" is an agreement enforceable by law. The agreements not enforceable by law are not contracts.

- Indian Contract Act, 1872

### III. SHORT ANSWER QUESTIONS

#### 1. Define Offer

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

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

Every promise and set of promises forming consideration for each other is an agreement.

In short, Agreement = Offer + Acceptance.

#### 3. Define a Voidable Contract

An agreement which is enforceable by law at the option of one or more parties but not at the option of the other or others is a voidable contract.

This is the result of coercion, undue influence, fraud and misrepresentation.

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

The revocation mean the withdraw of an offer power of attorney

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

A promisor – Contract Law – a person who makes a promise

A promisee – Contract Law – a person to whom a promise is made

### IV. LONG ANSWER QUESTIONS

#### 1. Explain the essentials of a Valid Contract

##### i). Offer and Acceptance

There must be two parties to an agreement namely one party making the offer and the other party accepting it.

##### ii). Legal Relationship

- The parties must have the intention to create legal relationship between them.
- An agreement of Social or domestic nature is not at all a contract.

##### iii). Lawful Consideration

- ✧ As per Contract Act under Sec.2 (d) Consideration means something in return.
- ✧ A contract without consideration becomes invalid.
- ✧ It may be in cash or kind or in any form as specified in the act.
- ✧ Consideration must not be unlawful, immoral or opposed to the public policy.

##### iv). Lawful Object (Section 23)

- ✧ The object of agreement should be lawful and legal.
- ✧ It must not be immoral, illegal or opposed to public policy.
- ✧ Two persons cannot enter into an agreement to do a criminal act.

**v). Free Consent (Section 13 & 14)**

- Consent of the parties must be free and genuine. Consent means agreeing upon same thing in the same sense at the same time i.e. there should be consensus – ad – idem.
- Consent is said to be free when it is not caused by coercion, undue influence, fraud, misrepresentation or mistake.

**2. Difference between Contract and Agreement.**

S.No	Basis	Contracts	Agreement
01	Definition	A contract is an agreement enforceable by law.	An Agreement is every promise forming consideration
02	Enforceability	Every contract is enforceable	Every promise is not enforceable.
03	Inter relationship	It includes an agreement.	It does not include a contract.
04	Validity	Only legal agreements are called contracts.	An agreement may be both legal and illegal.
05	Legal Obligation	Every contract contains a legal obligation.	It is not necessary for every agreement to have legal obligation

**3. Explain the classification of Contract on the basis of the Validity.****i). Valid Contract**

- ✱ An agreement which fulfils all the essentials prescribed by law on the basis of its creation.
- ✱ For example S offers to sell his car for Rs.2,00,000 to T. T agrees to buy it.
- ✱ It is a Valid Contract.

**ii). Void Contract (2(j))**

- ✱ A contract which ceases to be enforceable by law.
- ✱ A contract which does not satisfy any of the essential elements of a valid contract is said to be Void.
- ✱ For example A contract between drug dealers to buy and sell drugs is a void contract.

**iii). Voidable Contract 2(i)**

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

**iv). Illegal Contract**

- It is a contract which is forbidden by law.
- All illegal agreements are Void but all void agreements or contracts are not necessarily illegal.
- Contract that is immoral or opposed to public policy are illegal in nature.
- Unlike illegal agreements there is no punishment to the parties to a void agreement.



**v). Unenforceable Contract**

- ❖ Where a contract is unenforceable because of some technical defect i.e. absence in writing barred by imitation etc.
- ❖ If the parties perform the contract it will be valid, but the court will not compel them if they do not

**4. Explain the classification of Contract on the basis of the Formation.****i). Express Contract**

- ♣ A contract made by word spoken or written.
- ♣ According to Section. 9, in so far as the proposal or acceptance of any promise is made in words, the promise is said to be express.

**ii). Implied Contract**

- ★ The implied contract is one, which is not expressly written but understood by the conduct of parties.
- ★ Where the proposal or acceptance of any promise is made otherwise than in words, the promise is said to be implied.

**iii). Quasi Contract**

- ➔ It is a contract created by law. Actually, there is no contract.
- ➔ It is based on the principle that “a person shall not be allowed to enrich himself unjustly at the expense of the other”.

**iv). Tacit Contract**

- ♣ A contract is said to be tacit when it has to be inferred from the conduct of the parties.
- ♣ For example obtaining cash through automatic teller machine, sale by fall of hammer of an auction sale.

**5. Explain the classification of Contract on the basis of the Performance.****i). Executed Contract**

- ⊛ A contract in which both the parties have fulfilled their obligations under the contract.
- ⊛ For example X contracts to buy a car from Y by paying cash, Y instantly delivers his car.

**ii). Executory Contract**

- ✱ A contract in which both the parties are yet to fulfill their obligations.
- ✱ It is said to be an executory contract.

**iii). Unilateral Contract**

- ⦿ A unilateral contract is a one sided contract in which only one party has performed his promise or obligation, the other party has to perform his promise or obligation.

**iv). Bilateral Contract**

- ✧ A contract in which both the parties commit to perform their respective promises is called a bilateral contract.

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**CHAPTER – 30****PERFORMANCE OF CONTRACT****I. CHOOSE THE BEST ANSWER:**

- On the valid performance of the contractual obligations by the parties, the contract
  - Is discharged
  - Become enforceable
  - Becomes void
  - Becomes legal
- Which of the following persons can perform the contract?
  - Promisor alone
  - Legal representatives of promisor
  - Agent of the promisor
  - All of these
- A B C jointly promised to pay Rs.50000 to D. Before performance of the contract C dies. Here the Contract
  - Becomes void on C's death
  - Should be performed by A and B along with C's legal representatives
  - Should be performed by A and B alone
  - Should be renewed between A, B and D
- Which of these parties cannot demand performance of promise?
  - Promise
  - Any of the joint promises
  - On the death of a promise, his legal representative
  - Stranger to the contract
- A person is said to be a third person if he is not a
  - Promisor
  - Promise
  - Agent
  - Legal representative

**II. VERY SHORT ANSWER QUESTIONS:****1. State the ways of Performing a Contract.**

- ✱ Actual performance
- ✱ Attempted performance

**2. Who is a Legal Representative?**

- ➞ Legal representative can demand Exception performance.
- ➞ Contrary intention appears from the contract.
- ➞ Contract is of a personal nature.

**3. Who is an agent?**

- ✱ The promisor may employ a competent person such as agent to perform the promise, if the contract is not formed on personal condition.

**4. Define Reciprocal Promise.**

- ✱ Promises which form consideration or part of consideration for each other are called 'Reciprocal Promise'.

**5. By whom must contracts be performed?**

- Promisor himself
- Agent
- Representations

### III. SHORT ANSWER QUESTIONS

#### 1. What is a valid tender?

A valid tender of performance is considered to be the performance of a promise. There are mainly two ways of performing contracts:

##### i. Actual Performance

- When the party has done what he had undertaken to do, it is called actual performance.
- In actual performance, the party is to fulfill all his obligations under the contract.

##### ii. Attempted Performance

- ★ When the party offers to perform his obligation, it is not accepted by the promisee.
- ★ So, it is also called offer to performance or tender.

#### 2. Who can execute and perform a Contract?

- ★ Promisor himself
- ★ Agent
- ★ Representations
- ★ Third Person
- ★ Joint Promisors
- ★ Time and place of Performance of
- ★ Promise

#### 3. Who can demand performance?

- ☆ **Promisee** – Only a promisee can demand performance and not a stranger demand performance of the contract.
- ☆ **Legal Representative** – Legal representative can demand Exception performance. Contrary intention appears from the contract. Contract is of a personal nature.
- ☆ **Third party** – Exception to “stranger to a contract”

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

Promises which form consideration or part of consideration for each other are called ‘reciprocal promise’.

- ➞ Mutual and Independent
- ➞ Mutual and Dependent
- ➞ Mutual and Concurrent

#### 5. Who is a Joint Promisor?

##### (a) Devolution of Joint Liabilities (Section 42)

- ☆ “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 fulfill the promise”

**(b) Devolution of Joint Rights (Section 45)**

- When a person has made a promise to two or more persons jointly, then unless there is a contract to the contrary.
- The right to claim performance rests as between him and them, with them during their joint lives.
- After the death of them with representatives of such deceased person jointly with survivors.
- And after the death of last survivor, with the representatives of all jointly”.

**IV. LONG ANSWER QUESTIONS****1. Explain rules relating to place of performance of promise**

- ★ It is only the promisee for whom the contract is performed.
- ★ Only the promisee can demand the performance of the promise under a contract.
- ★ **For Example:** X promises Y to pay Z ₹ 10,000/-. X does not pay the sum to Z.
  - ✖ Here Z cannot bind X for the payment.
  - ✖ It is only promisee Y who can enforce the promise against the promisor X.
- ★ Of course, there are certain special cases, where a third party can enforce a promise though he is not a party to the contract.
- ★ For example in respect of trust, marriage settlement etc.
- ★ In case of death of promisee, the representative appointed by him can ask for the performance of the promise under a contract.

**2. Elucidate the provision regarding time as factor in performance.****i). Under Section 46, performance within a reasonable time:**

- ★ According to Section 46, a promisor is to perform his promise within a reasonable time.
- ★ On the other hand, reasonable time will depend upon the circumstance of the case, the usage of trade or on the intention of the parties entering into the contract.

**ii). Under Section 47, specified time and place for performance:**

- ♣ If the promise is to be performed on a certain day, the promisor may undertake to perform it without application of the promisee.
- ♣ According to the Section 47, In such a case the promisor may perform the promise at any time during the usual hours of business on such day and at the place at which the promise ought to be performed.

**3. How do you think appropriation of payments takes place?**

Appropriation means application of payments – The question of appropriation of payments arises when a debtor owes several debts to the same creditor and makes a payment that is not sufficient to discharge the whole indebtedness.

**i). Appropriation of Payments**

- ✿ Sometimes, a debtor owes several distinct debts to the same creditor and he makes a payment which is insufficient to satisfy all the debts.
- ✿ In such a case, a question arises as to which particular debt the payment is to be appropriated.
- ✿ Section 59 to 61 of the Act lay down following rules as to appropriation of payments which provide an answer to this question.

**ii). Application of payment where debt to be discharge is not indicated [60]**

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

**iii). Application of payment where neither party appropriates [61]**

- ✿ The payment shall be applied in discharge of the debts in order of time whether they are or are not based by the limitation Act 1963.
- ✿ If the debts are of equal standing the payment shall be applied in discharge of each of these debts proportionately.

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***“The expert in everything was once a beginner ”***



**CHAPTER – 31****DISCHARGE AND BREACH OF CONTRACT****I. CHOOSE THE BEST ANSWER:**

- On the valid performance of the contractual obligation by the parties, the contract.
  - is discharged
  - becomes enforceable
  - becomes void
  - none of these
- An Agreement to do an Act impossible in itself under Section 56 is.
  - Void
  - Valid
  - Voidable
  - Unenforceable
- Any agreement which becomes impossible to perform under various circumstances
  - Voidable
  - Void
  - Valid
  - None of these
- Discharge by Mutual Agreement may involve
  - Novation
  - Rescission
  - Alteration
  - All of the above
- The compensation given for breach of contract is
  - Damage
  - Remuneration
  - Money
  - Cheque

**II. VERY SHORT ANSWER QUESTIONS****1. What are the kinds of consent?**\* **Express :**

Express consent may be given at the time of formation of the contract to its formation

\* **Implied :**

- ⇒ Novation, Alteration,
- ⇒ Recession, Remission, and etc...

**2. What are the types of Impossibility of Performance?**

- \* Impossibility existing at the time of agreement.
- \* Impossibility arising subsequent to the formation of contract.

**3. What is Quantum merit?**

- ⊙ The claim for quantum merit may arise if a contract performed by one party has become discharged by breach of the other party.
- ⊙ The meaning of the phrase quantum merit is 'as much as earned'.

**III. SHORT ANSWER QUESTIONS****1. What are the different modes of discharged by implied consent?**

- \* Agreement between the parties comes to an end by mutually agreeing for it.
- \* Any contract is created by an agreement, hence in the same way; it can be discharged by an agreement.
- \* The consent may be of the following types
  - Express:** Express consent may be given at the time of formation of the contract or subsequent to its formation

(ii) **Implied:** The contracts are also discharged by implied consent, different modes of discharge by implied consent are mentioned below

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

## 2. Define discharge by Performance.

- ♣ According to the Section 56 of the Act, all acts to do impossible acts are void.
- ♣ There are two types of impossibility of performance such as –
  - ⊙ Impossibility existing at the time of agreement.
  - ⊙ Impossibility arising subsequent to the formation of contract.

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

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

- ✿ The law does not recognize what is impossible and
- ✿ What is impossible does not create an obligation.

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

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

## IV. LONG ANSWER QUESTIONS

### 1. Explain the ways of discharge of Contract?

#### i). Discharge by Performance

- ➔ Performance implies carrying out the obligation of the contract.
- ➔ Performance must be completed according to the real intentions of the agreement.
- ➔ Performance of contract may be of two types namely:
  - ✿ Actual performance
  - ✿ Attempted performance

#### ii). By Agreement on Consent:

- ✿ Agreement between the parties comes to an end by mutually agreeing for it.
- ✿ Any contract is created by an agreement, hence in the same way.
- ✿ The consent may be of the following types
  - (i) **Express:** Express consent may be given at the time of formation of the contract to its formation

(ii) **Implied:** The contracts are also discharged by implied consent, different modes of discharge by implied consent are mentioned below

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

### iii). By Impossibility of performance:

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

- ✿ The law does not recognize what is impossible and
- ✿ What is impossible does not create an obligation.

### iv). By Lapse of Time

- ▲ According to the Limitation Act, 1963 a contract must be performed within a specified time.
- ▲ If it is not performed within this specified time limit.
- ▲ Then the promisee is deprived of his remedy at law. In such cases, the contract is discharged.

### v). By Operation of Law:

- ➔ A contract can be discharged by the operation of law.
- ➔ The operation of law by which contract can be discharged are as follows:
  - By Death
  - By Merger
  - By Insolvency
  - Unauthorized Alteration of the Terms of a Contract
  - Rights and liabilities vesting in the same person

## 2. Write about the various remedies for breach of contract

### (i) Rescission of Contract

In case of breach of contract by one party, then the other parties may rescind the contract and thereby the party is absolved from his all obligations under the contract.

### (ii) Claim for Specific Performance

- ✿ In some specific cases if the damages are not the adequate remedy, then the court can direct the party in breach for the specific performance of the contract.
- ✿ In such case, the promise is carried out as per terms and conditions of the contract.

### (iii) Claim for Injunction

- ⊙ Injunction is an order passed by a competent court restraining a person from doing some act.
- ⊙ Injunction can be defined as a mode of securing the specific performance of the negative terms of a contract.

### (iv) Claim for Quantum Merit

- ✿ The claim for quantum merit may arise if a contract performed by one party has become discharged by breach of the other party.

- ✿ The meaning of the phrase quantum merit is 'as much as earned'.
- ✿ The claim is not for the original contract that has been discharged or void, but on an implied promise by the other party to pay for what he has done.

**(v). Claim for damages:**

- ✿ Damages are a monetary compensation awarded by the court to the injured party for the loss or injury suffered by him.
- ✿ The main purpose of awarding the damages is to make good the loss suffered by him.
- ✿ There are mainly four types of damages, such as
  - Ordinary damages
  - Special damages
  - Exemplary damages
  - Nominal damages.

**3. Discuss the different types of damages awarded to the injured party.**

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

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***"Push Yourself, because no one else is going to do it for you "***

**CHAPTER- 32****DIRECT TAX****I. CHOOSE THE BEST ANSWER:**

1. Income Tax is
  - (a) a business tax
  - (b) a direct tax
  - (c) an indirect tax
  - (d) none of these
2. Period of assessment year is
  - (a) 1 April to 31st March
  - (b) 1 March to 28th February
  - (c) 1 July to 30th June
  - (d) 1 January to 31st December
3. The year in which income is earned is known as
  - (a) Assessment year
  - (b) Previous year
  - (c) Light year
  - (d) Calendar year
4. The aggregate income under five heads is termed as
  - (a) Gross Total Income
  - (b) Total Income
  - (c) Salary Income
  - (d) Business Income
5. Agricultural income earned in India is
  - (a) Fully Taxable
  - (b) Fully Exempted
  - (c) Not considered for Income
  - (d) None of the above

**II. VERY SHORT ANSWER QUESTIONS****1. What is Income tax?**

- ✿ Indirect Tax is levied on the goods and services.
- ✿ It is collected from the buyers by the sellers and paid by the sellers to the Government.
- ✿ Since it is indirectly imposed on the buyers it is called indirect tax.

**2. What is meant by previous year?**

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

**3. Define the term person?**

The term 'person' includes the following

- an individual,
- a Hindu Undivided Family (HUF),
- a company,
- a firm,
- an Association Of Persons whether incorporated or not,
- a local authority, and
- every artificial juridical person

**4. Define the term assessee?**

Assessee means a person by whom any tax or any other sum of money is payable under this Act.



It includes every person in respect of whom any proceeding has been taken for the assessment of his income.

### 5. What is an assessment year?

*The term has been defined under section 2(9).* The year in which tax is paid is called the assessment year. It normally consisting of a period of 12 months commencing on 1<sup>st</sup> April every year and ending on 31<sup>st</sup> March of the following year.

## III. SHORT ANSWER QUESTIONS

### 1. What is Gross Total Income?

- ✱ Income from all the above five heads of income shall be computed separately according to the provisions given in the Act.
- ✱ Income computed under these heads shall be aggregated after adjusting past and present losses and the total so arrived at is known as 'Gross Total Income'.

(i) Income from 'Salaries'	*****
(ii) Income from 'House Property'	*****
(iii) Income from 'Business or Profession'	*****
(iv) Income from 'Capital Gains'	*****
(v) Income from 'Other Sources'	*****

Gross Total Income (GTI)

\*\*\*\*\*

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

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

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

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

### 4. What do you mean by Total Income?

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

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

## 5. Write short notes on: a). Direct Tax. b). Indirect Tax

### a). Direct Tax:

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

### b). Indirect Tax

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

## IV. LONG ANSWER QUESTIONS

### 1. Elucidate any five features of Income Tax.

#### i. Levied as Per the Constitution

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

#### ii. Levied by Central Government

- ✳ Income tax is charged by the Central Government on all incomes other than agricultural income.
- ✳ However, the power to charge income tax on agricultural income has been vested with the State Government as per entry 46 of list II, i.e., State List.

#### iii. Direct Tax

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

#### iv. Annual Tax

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

#### v. Tax on Person

- ✳ It is a tax on income earned by a person.
- ✳ The term 'person' has been defined under the Income tax Act.
- ✳ It includes individual, Hindu Undivided Family, Firm, Company, local authority, Association of person or body of Individual or any other artificial juridical persons.
- ✳ The persons who are covered under Income tax Act are called 'assessee'.

## 2. Define Tax. Explain the term direct tax and indirect tax with an example.

### Tax:

- ✱ Tax is a compulsory contribution to state revenue by the Government.
- ✱ It is levied on the income or profits from business of individuals and institutions.
- ✱ It may be added to the price of goods, services or transactions.
- ✱ Tax is the basic source of revenue to the Government.

### Types of Taxes

There are two types of taxes – direct taxes and indirect taxes.

#### a). Direct Tax:

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

#### b). Indirect Tax

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

## 3. List out any ten kinds of incomes chargeable under the head income tax.

- ★ Profits and gains of business or profession.
- ★ Dividend
- ★ Voluntary contribution received by a charitable / religious trust or university/ education institution or hospital/ electoral trust.
- ★ Export incentives, like duty drawback, cash compensatory support, sale of licenses, etc.,
- ★ Interest, salary, bonus, commission or remuneration earned by a partner of a firm from such firm.
- ★ Capital gain chargeable u/s 45.
- ★ Profits and gains from the business of banking carried on by a co- operative society with its members.
- ★ Deemed income u/s 41 or 59.
- ★ Amount received under key man insurance policy including bonus thereon.
- ★ Gift as defined u/s 56 (2)(vi), and others.

## 4. Discuss the various kinds of assesses.

- ➔ Assessee means a person by whom any tax or any other sum of money is payable under this Act.
- ➔ It includes every person in respect of whom any proceeding has been taken for the assessment of his income or assessment of fringe benefits.

→ The term 'person' includes the following

- ♥ an individual,
- ♥ a Hindu Undivided Family (HUF),
- ♥ a company,
- ♥ a firm,
- ♥ an Association Of Persons or a Body
- ♥ Of Individual, whether incorporated or not,
- ♥ a local authority, and
- ♥ every artificial juridical person e.g., an idol or deity.

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***"You don't always get what you wish for; you get what you work for; "***

**CHAPTER- 33****INDIRECT TAXATION****I. CHOOSE THE BEST ANSWER:**

1. Who is the chairman of the GST council?  
 (a) RBI Governor      (b) Finance Minister      (c) Prime Minister      (d) President of India
2. GST stands for  
 (a) Goods and Supply Tax      (b) Government Sales tax  
 (c) Goods and Services Tax      (d) General Sales Tax
3. What kind of tax is GST is?  
 (a) Direct Tax      (b) Indirect Tax  
 (c) Dependence on the type of goods and services      (d) All business organizations
4. What is IGST?  
 (a) Integrated Goods and Services Tax      (b) Indian Goods and Services Tax  
 (c) Initial Goods and Services Tax      (d) All the Above
5. In India GST became effective from?  
 (a) 1st April 2017      (b) 1st January 2017      (c) 1st July 2017      (d) 1st March 2017

**II. VERY SHORT ANSWER QUESTIONS****1. Define Indirect tax.**

Indirect Tax is levied on the goods and services. It is collected from the buyers by the sellers and paid by the sellers to the Government. Since it is indirectly imposed on the buyers it is called indirect tax.

E.g. GST - Goods and Services Tax, Excise duty.

**2. List out any four types of indirect taxes levied in India.**

- ✧ CGST
- ✧ SGST
- ✧ UGST
- ✧ IGST

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

- ▲ Goods and Services Tax (GST) is the tax imposed on the supply (consumption) of goods and services.
- ▲ GST Act was passed on April 12, 2017.
- ▲ GST came into effect from 1<sup>st</sup> July, 2017.

**4. Write a note on SGST.**

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



## 5. What is CGST?

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

## III. SHORT ANSWER QUESTIONS

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

S.No	Basis	Direct Tax	Indirect Tax
1	<b>Burden</b>	Tax burden is progressive on people.	Tax burden is regressive.
2	<b>Evasion</b>	Tax evasion is possible.	Tax evasion is more difficult
3	<b>Shiftability</b>	Cannot be shifted to others	Can be shifted to others

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

- ✱ The foremost objective of GST is to create a common market with uniform tax rate in India.
- ✱ To eliminate the cascading effect of taxes, GST allows set-off of prior taxes for the same transactions as input tax credit.
- ✱ To boost Indian exports, the GST already collected on the inputs will be refunded and thus there will be no tax on all exports.

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

#### A. To the Society and country

- ✱ GST has integrated the economy of all States and Union Territories.
- ✱ Creation of more employment opportunities which will result in poverty eradication.
- ✱ It will bring more tax compliance (more tax payers) and increase revenue to the Governments.

#### B. To Business Community

- Simpler Tax System with fewer exemptions. 17 taxes were abolished and one tax exists today.
- Input tax credit will reduce cascading effect of taxes.
- Uniform prices throughout the country. Expansion of business to all states is made easy.

#### C. To Consumers

- Input tax credit allowed will lower the prices to the consumers.
- All small retailers will get exemption and purchases from them will cost less for the consumers.

### 4. Explain IGST with an example.

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

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

- ✱ Several Economists says that GST in India would impact negatively on the real estate market.
- ✱ It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
- ✱ Another criticism is that CGST, SGST are nothing but new names for Central Excise/Service Tax, VAT and CST.

- ✧ Hence, there is no major reduction in the number of tax layers.
- ✧ A number of retail products currently have only four percent tax on them.
- ✧ After GST, garments and clothes could become more expensive.

#### IV. LONG ANSWER QUESTIONS

##### 1. Distinguish between direct taxes and indirect taxes.

S.No	Basis	Direct Tax	Indirect Tax
1	Meaning	If a tax levied on the income or wealth of a person is paid by that person 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 and paid by him to the Government it is called indirect tax
2	Incidence and Impact	Falls on the same person. Imposed on the income of a person and paid by the same person.	Falls on different persons. Imposed on the sellers but collected from the consumers and paid by sellers.
3	Burden	Tax burden is progressive on people.	Tax burden is regressive.
4	Evasion	Tax evasion is possible.	Tax evasion is more difficult
5	Inflation	Direct tax helps in reducing the inflation.	Indirect tax contributes to inflation
6	Shiftability	Cannot be shifted to others	Can be shifted to others
7	Examples	Income Tax, Wealth Tax, Capital Gains Tax, Securities Transaction Tax, Perquisites Tax.	GST, Excise Duty

##### 2. Discuss the different kinds of GST.

GST is of three kinds: CGST, SGST/UGST, and IGST.

###### i). CGST

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

###### ii). SGST

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

###### iii). UGST

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

###### iv). IGST

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

**v). IGST on exports**

All exports are treated as Inter-State supply under GST. Since exports are zero rated, GST is not imposed on all goods and services exported from India.

Any input credit paid already on exports will be refunded.

**3. Elucidate the merits of GST.****A. To the Society and country**

- ★ Unified common national market will attract more foreign investment. GST has integrated the economy of all States and Union Territories.
- ★ It will boost manufacturing, export, GDP leading to economic growth through increase in economic activity.
- ★ Creation of more employment opportunities which will result in poverty eradication.
- ★ It will bring more tax compliance (more tax payers) and increase revenue to the Governments.
- ★ It is transparent and will improve India's ranking in the 'Ease of Doing Business' in the world.
- ★ Uniform rates of tax will reduce tax evasion and rate arbitrage between States.

**B. To Business Community**

- Simpler Tax System with fewer exemptions. 17 taxes were abolished and one tax exists today.
- Input tax credit will reduce cascading effect of taxes. Reduction in average tax burden will encourage manufacturers and help "Make in India" campaign and make India as a manufacturing hub.
- Common procedures, common classification of goods and services and timelines will lend greater certainty to taxation system.
- GSTN facility will reduce multiple record keeping, lesser investment in manpower and resources and improve efficiency.
- All interactions will be through common GSTN portal and will ensure corruption free administration.
- Uniform prices throughout the country. Expansion of business to all states is made easy.

**C. To Consumers**

- ➞ Input tax credit allowed will lower the prices to the consumers.
- ➞ All small retailers will get exemption and purchases from them will cost less for the consumers.

**4. Compare CGST, SGST and IGST.**

S.No	Basis	CGST	SGST	IGST
1	<b>Meaning</b>	CGST means Central goods and service tax to replace the existing tax like service tax, excise, etc.	SGST means State goods and service tax, replace the existing tax like sales tax, luxury tax, entry tax, etc.	IGST refers to it is a combined form of CGST and IGST and it is levied by central government.
2	<b>Collection of tax</b>	Central government	State government	Central government
3	<b>Applicability</b>	Intra-state supply	Intra-state supply	Inter-state supply
4	<b>Registration</b>	No registration till the turnover crosses 20 lakhs	No registration till the turnover crosses 20 Lakhs	Registration is mandatory
5	<b>Composition</b>	The dealer can use the benefit up to 75 lakhs under the composition scheme	The dealer can use the benefit up to 75 lakhs under the composition scheme	The composition scheme is not applicable in interstate supply

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***“Failure is the opportunity to begin again more intelligently ”***