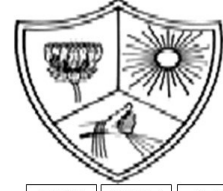


# VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL

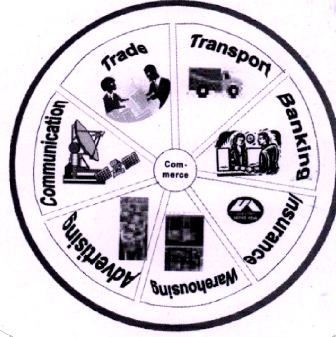


**PANNAIKADU PIRIVU  
KODAIKANAL**



HAND HEART HEAD

## COMMERCE



## XI STANDARD

### COMMERCE FIVE MATERIALS

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

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

### PREPARED BY

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## CHAPTER – 1

### HISTORICAL BACKGROUND OF COMMERCE IN THE SUB-CONTINENT

#### IV. Long Answer Questions

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

###### i. Hindrance of place

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

###### ii. Hindrance of time

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

###### iii. Hindrance of risk of loss

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

###### iv. Hindrance of knowledge

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

###### v. Hindrance of finance

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

##### 2. State the constraints in barter system.

###### i). Lack of double coincidence of Wants

- ↔ Unless two persons who have surplus have the demand for the goods possessed by each other, barter could not materialize.

###### ii). Non – existence of common measure of value

- ♠ Barter system could not determine the value of commodities to be exchanged as they lacked commonly acceptable measures to evaluate each and every commodity.
- ♠ It was difficult to compare the values of all articles in the absence of an acceptable medium of exchange.

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

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

###### iv). Lack of surplus stock

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

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

- ✱ Balban was the first sultan who paved the way in the dense forest and helped traders to move from one market place to others.
- ✱ Moorish traveler described the teeming market of big cities in the Genetic plains, Malwar, Gujarat and South India.
- ✱ The important trade centers were Delhi, Mumbai, Ahmadabad, Sonar, Sonar goon, Jaunpur, Lahore.
- ✱ India's handicraft commanded a good foreign market.
- ✱ India imported horses, dry fruits, precious stones, glassware, raw silk, corals, etc.. from Kabul, Arabia, Europe, West Asia and China.
- ✱ Indian products were exported to East Africa, Malaya, China and Far East.
- ✱ The traders of Malabar, Gujarat and foreign settlers in the ports of Calicut, Khumbat and Mangalore controlled a major business sector in port cities.

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

- ♥ The 'Maruvurappakam' and 'Pattinapakkam' had market and bazaars.
- ♥ Where many merchants met one another for the purpose of selling or buying different kinds of commodities.
- ♥ Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy markets with imports and exports.
- ♥ Coastal region people engaged in coastal trade and developed their intercontinental trade contacts.
- ♥ Boats like 'Padagu', 'Thimil', 'Thoni', 'Ambu' 'Odampunai' etc... were used to cross rivers.
- ♥ Domestic trade while Kalam, Marakalam, Vangam, Navai etc.. were used for crossing oceans for foreign trade.

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

- ☉ Foreigners who transacted business were known as Yavanars.
- ☉ Arabs who traded with Tamil were called 'Jonagar'.
- ☉ Pattinappalai praised Kaveripumpattinam as a city where various foreigners of high civilization.
- ☉ Many such ports were developed during the Sangam period.
- ☉ Kaveripumpattinam was the chief port of the Kingdom of Cholas.
- ☉ Similarly Pandiyas developed Korkai, Saliyur, Kayal, Marungaur pattinam and Kumari for foreign trade.

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**CHAPTER – 2****OBJECTIVES OF BUSINESS****IV. Long Answer Questions****1. Explain the characteristics of Business.****i. Production or Procurement of Goods:**

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

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

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

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

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

**iv. Regularity of Dealings:**

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

**v. Profit Motive**

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

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

S.no	Transactions	Business	Profession	Employment
1	<b>Nature of Work</b>	Goods and services provided to the public	Personalized service of expert nature	Performing work assigned by the employer
2	<b>Qualifications</b>	No qualification is essential	Education and training in specialized field	Minimum qualification is essential
3	<b>Basic Motive</b>	Earning profits by satisfying needs of society	Rendering service	Earning wages or salary by serving the employer
4	<b>Capital</b>	Capital required as per size of the firm	Limited capital necessary for establishment	No capital required
5	<b>Reward</b>	Profits Professional fee Salary or wages	Profits Professional fee Salary or wages	Profits Professional fee Salary or wages
6	<b>Risk</b>	Profits are uncertain and irregular	Fee is regular and certain, never negative	Fixed and regular pay, no risk
7	<b>Transfer of Interest</b>	Possible	Not possible	Not transferable

### 3. Discuss any five objectives of business?

#### i. Economic Objectives:

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

#### ii. Social Objectives:

- ♣ It's desired to be achieved for the benefit of the society.
- ♣ Since business operates in a society by utilizing its scarce resources,
- ♣ No activity of the business should be aimed at giving any kind of trouble to the society.

#### iii. Organizational Objectives:

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

#### iv. Human Objectives:

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

#### v. National Objectives:

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

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

S.no	Transaction	Economic Activity	Non-Economic Activity
1	<b>Definition</b>	Those activities which are undertaken to earn money or financial gain for livelihood.	Those activities which are undertaken for the sake of pleasure, performed out of love, sympathy, sentiments etc.
2	<b>Motive</b>	Sole motive is to earn money or financial gain.	Undertaken for satisfaction of social, psychological or emotional needs.
3	<b>Money Measurement</b>	It can be valued in monetary terms	It cannot be valued in monetary terms
4	<b>Relationship</b>	To creation of wealth.	Do not create wealth.
5	<b>Duration</b>	It's repetitive.	It's not repetitive.
6	<b>Source of Initiation</b>	It's initiated to satisfy human needs and wants	It's initiated to the satisfy emotional pleasures.

## CHAPTER – 3

### CLASSIFICATION OF BUSINESS ACTIVITIES

#### IV. Long Answer Questions:

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

###### ★ Micro Industries

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

###### ★ Small Industries

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

###### ★ Medium Industries

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

###### ★ Large Industries

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

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

S.no	Transactions	Industry	Commerce	Trade
1	Meaning	Extraction, reproduction, conversion, processing and construction of useful products	Activities involving distribution of goods and services	Purchase and sale of goods and service
2	Scope	Consists of all activities involving conversion of materials into finished goods.	Comprises trade auxiliaries to trade	Comprises exchange of goods and service
3	Capital	Large Capital	Medium of capital	Small Capital
4	Risk	High Risk	Low Risk	No Risk
5	Side	It represents Supply Side	It represents Demand Side	It represents both supply and demand
6	Utility Creation	It creates form utility	It creates place utility	It creates possession utility

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

###### i). Economic Activity:

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



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

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

**iii). Profit Motive:**

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

**iv). Regularity of Transaction:**

An isolated transaction does not imply commerce.

**v). Creation of Utilities:**

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

**4. Write short notes on:****a. Analytical industry:**

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

**b. Genetic Industry:**

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

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

**c. Construction Industry:**

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

**5. Briefly explain the auxiliaries to trade.****i) Trade:**

- ☛ Trade is an essential part of commerce.
- ☛ The term 'trade' is used to denote buying and selling.
- ☛ It helps in making the goods produced available to ultimate consumers.
- ☛ Trade may be classified into internal trade and external trade, wholesale trade or retail trade.

**ii. Transportation:**

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

**iii. Banking:**

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

♥ Thus, banking helps business activities to overcome the problem of finance.

**iv. Insurance:**

- ❖ Business involves various types of risks.
- ❖ Factory building, machinery, furniture etc, must be protected against fire, theft and other risks.
- ❖ Employees are also required to be protected against the risks of accident and occupational hazards.
- ❖ Insurance provides protection in all such cases.

**v. Warehousing:**

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

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**CHAPTER – 4**

**SOLE PROPRIETORSHIP**

**IV. Long Answer Questions**

**1. Explain the characteristics of Sole trading business.**

**i. Ownership by one man:**

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

**ii. Freedom of work and Quick Decisions:**

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

**iii. Unlimited Liability:**

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

**iv. Enjoying entire profit:**

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

**v. No Separate Entity:**

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



**vi. Maintenance of Secrecy”**

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

**2. What are the advantages of Sole trading business?****i. Easy Formation:**

- ✱ No legal formalities are required to initiate a sole trading concern.
- ✱ Any person capable of entering into a contract can start it, provided he has the necessary resources for it.

**ii. Incentive to Work hard:**

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

**iii. Small Capital:**

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

**iv. Credit Standing:**

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

**v. Flexibility:**

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

**3. What are the disadvantages of Sole trading business?****i. Limited Capital:**

- ✱ The capital is contributed by one individual only,

**ii. Limited Managerial Skill:**

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

**iii. Unlimited Liability:**

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

**iv. Lack of Specialization:**

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

**v. Hasty Decisions:**

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

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## CHAPTER- 5

## HINDU UNDIVIDED FAMILY AND PARTNERSHIP

## V. Long Answer Questions

## 1. What is the implied authority of Karta?

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

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

- ☉ In a partnership minor cannot become co-partner though he may be admitted to the benefit of partnership.
- ☉ In a joint hindu family firm even a new born baby can be a partner.
- ☉ The member ship of the family can be acquired only by birth.
- ☉ As soon as the male child is born in the family that child become a member.

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

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

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

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

## a. Without the order of the court:

## i. By agreement or mutual consent:

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

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

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

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

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

**iv. By notice of dissolution:**

- ☛ In the case of partnership at will when any partner gives in writing to all the other partners indicating his intention to dissolve the firm, the firm will be dissolved.

**b. Dissolution through court:**

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

- ✿ When a partner becomes insane
- ✿ Permanent incapacity of any partner
- ✿ Misconduct of any partner
- ✿ Transfer of interest to third person
- ✿ Continued loss
- ✿ When the court finds that it is just and equitable to dissolve the firm.

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

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

**6. Write the procedure for Registration of a Firm.**

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

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**CHAPTER – 6****JOINT STOCK COMPANY****IV. Long Answer Questions****1. What are the contents of Memorandum of Association?****i). Name Clause:**

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

**ii). Situation Clause:**

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

**iii). Objective Clause:**

- ✿ It is required to state the ancillary objectives.
- ✿ Those objectives that are required to facilitate the achievement of the main objectives.
- ✿ It should be free of any provisions or declarations that contravene laws or public good.

**iv). Liability Clause:**

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

**v). Capital Clause:**

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

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

- ❖ Amount of shares, capital, value and type of shares.
- ❖ Rules regarding issue of shares and debentures.
- ❖ Manner of transfer of shares.
- ❖ Declaration of dividends.
- ❖ Borrowing powers of the company.
- ❖ Procedures concerning keeping of books and audits.
- ❖ Seal of the company.
- ❖ Procedures regarding the winding up of the company.

### 3. What is meant by Prospectus?

#### Meaning:

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

#### Contents:

- ☛ The name, addresses and occupation of directors and managing directors.
- ☛ The number and classes of shares and debentures issued.
- ☛ The qualification share of directors and the interest of directors for the promotion of company.
- ☛ Particulars about the directors, secretaries and the treasures and their remuneration.
- ☛ The amount for the minimum subscription.
- ☛ If the company carrying on business, the length of time of such businesses.
- ☛ The estimated amount of preliminary expenses.
- ☛ Name and address of the auditors, bankers and solicitors of the company.

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

A Multi National Company (MNC) is a huge industrial organization.

- Operates in more than one country
- Carries out production, marketing and research activities on international Scale in those countries.
- Seeks to maximize profits world over.

A domestic company or a foreign company can be a MNC.

#### Examples:

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

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

#### i). Holding Companies:

- ☛ As per Section 2(87) “subsidiary company” in relation to any other company means a company in which the holding company.
- ☛ Controls the composition of the Board of Directors.
- ☛ Exercises or controls more than one-half of the total share capital either at its own.
- ☛ Provided that such classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

#### ii). Subsidiary Companies:

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

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## CHAPTER – 7

### CO-OPERATIVE ORGANIZATION

#### IV. Long Answer Questions

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

###### i. Voluntary and Open Membership:

- ✱ Cooperatives are voluntary organizations, open to all people able to use its services without gender, social, racial, political or religious discrimination.

###### ii. Democratic Member:

- ♥ Control Cooperatives are democratic organizations controlled by their members.
- ♥ Those who buy the goods or use the services of the cooperative.
- ♥ Who actively participate in setting policies and making decisions.

###### iii. Member's Economic Participation:

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

###### iv. Autonomy and Independence:

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

###### v. Education, Training, and Information

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

##### 2. What are the advantages of cooperative society?

###### i). Voluntary Organization:

- ☉ The membership of a cooperative society is open to all.
- ☉ Any person with common interest can become a member.
- ☉ The membership fee is kept low so that everyone would be able to join and benefit from cooperative societies.
- ☉ At the same time, any member who wants to leave the society is free to do so. There are no entry or exit barriers.

###### ii. Easy formation:

- ✱ Cooperatives can be formed much easily when compared to a company.



- ★ Any 25 members who have attained majority can join together for forming a cooperative society by observing simple legal formalities.

### iii. Democracy:

- ☞ A co-operative society is run on the principle of 'one man one vote'.
- ☞ It implies that all members have equal rights in managing

### iv. Limited liability:

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

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

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

## 3. What are the types of Cooperative society?

### i). Consumers Cooperatives:

- ⚙ Consumer cooperatives are organized by consumers that want to achieve better prices or quality in the goods or services they purchase.
- ⚙ They also supply essential commodities through Public Distribution System (PDS).
- ⚙ Nationally, the most widely used cooperative form is the credit union, with some 90 million members.
- ⚙ Credit union assets have grown a hundred fold in three decades.

### ii). Producers Cooperatives:

- ⚙ Producer cooperatives are established and operated by producers.
- ⚙ Producers can decide to work together or as separate entities to help increase marketing possibilities and production efficiency.
- ⚙ Example, Cooperative weavers' societies, Cooperative carpenting units, Cooperative match factories.

### iii). Marketing Cooperatives:

- ★ Cooperative marketing societies are associations of small producers formed for the purpose of marketing their produce.
- ★ The marketing cooperatives perform certain marketing functions such as grading, warehousing, advertising etc.,
- ★ They secure better prices for their members by transporting goods even to distant markets.

### iv). Credit Cooperatives:

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

- ❖ Ending this exploitation and encouraging thrift among members is the objective of these societies.
- ❖ Credit societies may be agricultural credit societies or non-agricultural credit societies.

**v). Housing Cooperatives:**

- ⚙ These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.
- ⚙ People who intend to build houses of their own join together and form housing societies.
- ⚙ These societies advance loans to members, repayable over a period of 15 to 20 years.
- ⚙ The member-tenant, however, can own the houses after paying the cost.

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

- ★ Consumer cooperatives are organized by consumers that want to achieve better prices or quality in the goods or services they purchase.
- ★ In contrast to traditional retail stores or service providers, a consumer cooperative exists to deliver goods or services rather than to maximize profit from selling those goods or services.
- ★ They also supply essential commodities through Public Distribution System (PDS).
- ★ Nationally, the most widely used cooperative form is the credit union, with some 90 million members.
- ★ Credit union assets have grown a hundred fold in three decades.
- ★ Credit unions are essentially cooperatives of people that use banking services.
- ★ Example: Students' cooperative stores, Cooperative provision stores and supermarkets

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

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

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## CHAPTER- 9

## GOVERNMENT ORGANIZATION

**IV. Long Answer Questions:****1. What are the advantages and disadvantages of Departmental undertaking?****a). ADVANTAGES:****i. Easy Formation:**

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

**ii. Direct and Control of Parliament or State Legislature:**

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

**iii. Secrecy Maintained:**

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

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

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

**v. Instrument of Social Change:**

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

**b). DISADVANTAGES****i. Red-tapism:**

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

**ii. Incidence of Additional Taxation:**

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

**iii. Lack of Competition:**

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

**iv. Casual Approach to Work:**

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

**v. Government Interference:**

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

**2. What are the features of Public corporation? (Any 5)****i. Special Statute:**

- ➔ A public corporation is created by a special Act of the Parliament or the State Legislature.
- ➔ The Act defines its powers, objectives, functions and relations with the ministry and the Parliament.

**ii. Separate Legal Entity:**

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

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

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

**iv. Financial Autonomy:**

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

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

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

**3. What are the Features of Government Company? (Any 5)****i. Registration under the Companies Act:**

- ✿ A Government company is formed through registration under the Companies Act, 1956; and is subject to the provisions of this Act, like any other company.
- ✿ However, the Central Government may direct that any of the provisions of the Companies Act shall not apply to a Government company or shall apply with certain modifications.

**ii. Executive Decision of Government:**

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

**iii. Separate Legal Entity:**

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

**iv). Own Staff:**

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

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

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

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

- ☛ A public corporation enjoys internal operational autonomy; as it is free from Governmental control.
- ☛ It can, therefore, run in a businesslike manner.
- ☛ Management can take bold decisions involving experimentation in its lines of activities, taking advantage of business situations.

**ii. Legislative Control:**

- ☛ Affairs of a public corporation are subject to scrutiny by Committees of Parliament or State Legislature.
- ☛ The Press also keeps a watchful eye on the working of a public corporation.
- ☛ This keeps a check on the unhealthy practices on the part of the management of the public corporation.

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

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

**iv. Tailor-Made Statute:**

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

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

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

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

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

**ii. Misuse of Monopolistic Power:**

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

**iii. Rigid Constitution:**

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

**iv). Low Managerial Efficiency**

- ☼ Quite often civil servants, who do not possess management knowledge and skills, are appointed by the government on the
- ☼ Board of Directors, of a public corporation. As such, managerial efficiency of public corporation is not as much as found in private business enterprises.

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

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

**5. What are the features of Departmental organization? (Any 5)****i. Ultimate Responsibility:**

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

**ii. Governmental Financing:**

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

**iii. Accounting and Audit:**

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



**iv. Managed by Civil Servants:**

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

**v. Sovereign Immunity:**

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

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## CHAPTER – 10

### RESERVE BANK OF INDIA

**IV. Long Answer Questions****1. Classify the various functions of Reserve Bank of India.**

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

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

**A. Leadership and Supervisory Functions**

- ☉ India being the fastest growing economy in the world, India is expected to play a major role in the world affairs by many countries.
- ☉ RBI being the banking institutional head of India has to be a part of global institutions.
- ☉ Such functions get prominence in current scenario.
  - ➡ India's Representative in World Financial Institutions
  - ➡ Regulator and Supervisor of Indian Banking System
  - ➡ Monetary Authority
  - ➡ Closely Monitoring Economic Parameters
  - ➡ Promptly Responding to New Challenges

**B. Traditional Functions**

- ✧ Banker and Financial Advisor to the Government
- ✧ Monopoly of Note Issue
- ✧ Banker's Bank
- ✧ Controller of Credit and Liquidity
  - Quantitative Methods of Credit Control
  - Qualitative Credit Control Measures

**C. Promotional Functions**

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

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

## 2. Explain the organizational structure of RBI.

- ✱ The head office of the RBI is situated in Mumbai. This central office has 33 departments in 2017.
- ✱ It has four zonal offices in Mumbai, Delhi, Calcutta and Chennai functioning under local boards with deputy governors as their heads.
- ✱ It also has 19 regional offices and 11 sub-offices (2017).
- ✱ The RBI is governed by a Central Board of Directors.
- ✱ The 21 member board is appointed by the Government of India. It consists of;
  - ✱ One governor and four deputy governors appointed for a period of four years,
  - ✱ Ten directors from various fields
  - ✱ Two Government officials
  - ✱ Four directors - one each from local boards.

## CHAPTER – 11

### TYPES OF BANKS

#### IV. Long Answer Questions

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

##### i). Commercial Banks

- ✱ Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. in order to earn profit.
- ✱ Their lending is in comparatively small amounts and mostly for short and medium period.

##### Examples:

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

##### ii). Development Banks

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

✧ They are also called industrial banks. The objective of development banks is not profit.

**Examples:**

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

**iii). Cooperative Banks**

- ✧ All cooperative banks in India are owned by its customers or members who are farmers, small traders and others.
- ✧ Cooperative banks in India are either urban based or rural based.
- ✧ For both these structures the apex body is National Bank for Agricultural and Rural Development NABARD.
- ✧ All cooperative banks in Tamil Nadu are registered under Tamil Nadu Cooperative Societies Act 1983.

**Examples:**

- ➔ National Agricultural Cooperative Marketing Federation of India Ltd.
- ➔ Tamil Nadu State Apex Cooperative Bank – Head Office, Chennai
- ➔ Madurai District Central Cooperative Bank Ltd.
- ➔ Batlagundu Cooperative Urban Bank Ltd. Dindigul District

**iv). Foreign Banks**

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

**Examples:**

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

**v). Regional Rural Banks – RRBs**

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

**Examples:**

- ➔ Pallavan Grama Bank, Salem, Tamil Nadu
- ➔ Pandian Grama Bank, Thirumangalam, Madurai District, Tamil Nadu

→ Vallalar Grama Bank, Chidambaram, Cuddalore District, Tamil Nadu

→ Paduvai Bharathiyar Grama Bank, Villianur, Puducherry.

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

- ★ Any bank in which not less than 51 percent of shares are owned by the Government are called Government banks or public sector commercial banks.
- ★ All nationalized banks (19 banks, in 2017), SBI and IDBI Ltd. Are public sector commercial banks.
- ★ All of them are joint stock company type banks.

### Examples:

IFCI, SIDBI, EXIM Bank, etc.

- All banking companies owned by private people are called private sector commercial banks.
- All cooperative banks are owned by its members from the public.
- Government paid the share capital of those banks to the private owners and took over as Government banks.
- This is called nationalization of banks. 6 more banks were nationalized in 1980.
- Today there only 19 nationalized banks (2017).

### Examples:

#### i). Nationalized Banks:

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

#### ii). Public Sector Banks:

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

#### iii). Private Sector Banks:

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

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## CHAPTER- 12

### FUNCTIONS OF COMMERCIAL BANKS

## IV. Long Answer Questions

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

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

- ➔ Accepting Deposits
- ➔ Granting Loans and Advances.
- ➔ Creation of Credit

## I. Accepting Deposits

- ❖ The basic deposit accounts offered by commercial banks are listed below.
- ❖ In these days banks compete with each other to attract customers by adding facilities.
- ❖ Broadly deposit accounts can be classified into demand deposits and time deposits.

### A. Demand Deposits

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

- ✱ Savings Deposits
- ✱ Current Deposits

### B. Time Deposits

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

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

## II. Granting Loans and Advances

- ⊙ It is lending money in order to earn interest income.
- ⊙ Banks provide specific sums as loans which are repayable along with interest.
- ⊙ Advances are credit facilities provided for short period to business community.
- ⊙ But both terms are used interchangeably.

### i). Advances

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

### ii). Loans

Generally commercial banks provide the following loans.

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

## III. Creation of Credit

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

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

★ Apart from the basic or primary functions commercial banks render various other services which are known as secondary functions.

★ These services can be broadly classified into Agency Services and General Utility Services.

### I. Agency Functions

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

- ★ Transfer of Funds
- ★ Periodic Payment of Premiums, Rent, etc.
- ★ Collection and Payment of Cheques
- ★ Acting as Executors, Trustees and Attorneys
- ★ Conduct Share Market Transactions
- ★ Preparation of Income Tax Return
- ★ Dealing in Foreign Exchange
- ★ Acting as Correspondent

### II. General utility functions

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

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

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**CHAPTER – 13****WAREHOUSING****IV. Long Answer Questions****1. Explain the different types of warehouses.****a. Private Warehouses**

- ✱ It's built and owned by private business enterprises in order to store the products produced by them.
- ✱ They are exclusively for their use and are not meant for other manufacturing or business units.

**b. Government Warehouses**

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

**c. Public Warehouse**

- ✱ It is open for public at large.
- ✱ Most of the businesses organisations, especially small and medium scale units cannot afford to have their own warehouses.
- ✱ They may be owned by an individual or some agency.
- ✱ These warehouses operate as per the rules and regulations formed by the Government.

**d. Co-operative Warehouses**

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

**e. General Warehouses**

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

**2. Explain the advantages of warehousing functions.****(i) Storage**

- ✱ There is a time gap between the time of production and the time of consumption.
- ✱ And a gap between demand and supply.
- ✱ The surplus goods are stored properly for the purpose of supplying them at right place and the right time.

**(ii) Price Stabilization**

- ✱ Warehousing ensures price stabilization by supplying goods as and when demanded.

- ★ It acts as a cushion to absorb price fluctuations.
- ★ It supplies the goods at more or less uniform prices throughout the year.

### (iii) Equalization of Demand and Supply

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

### (iv) Business Finance

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

### (v) Risk bearing

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

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## CHAPTER – 14

### TRANSPORTATION

#### IV. Long Answer Questions

#### 1. Explain different types of transport.

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

##### A. Surface Transport

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

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

##### B. Water Transport

- ★ "Water is a free gift of nature".
- ★ Water transport due to considerable improvement in the construction, design motive power, speed and safety of ships and boats.

- ★ Water transport is the process of moving people, goods etc. by barge, boat, ship or sailboat over a sea, ocean, lake, canal, river, etc.
- ★ Water Transports are of two types
  - Inland Waterways
  - Ocean Waterways

### C. Air Transport

- ★ Air transport is the fastest and the costliest mode of transport.
- ★ Commercial air transport is now one of the most prominent modes of overseas transport.
- ★ The modern air transport has its growth with the invention of Airplane by Wright Brothers.
- ★ Air transport is a form of travel in vehicles such as helicopters, hot air balloons, blimps, gliders, hang gliding, parachuting, airplanes, jets or anything else that can sustain flight.

## 2. Discuss the advantages of transport.

- ⊙ It increases the efficiency of production
- ⊙ It stimulates wants by increasing quantity and variety of consumer goods
- ⊙ It develops and expands the market
- ⊙ It helps in price stability by distributing goods all over the country
- ⊙ It aids to economic growth
- ⊙ It helps in specialization and mass Production
- ⊙ It encourages innovations in product production and designing

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## CHAPTER- 15 INSURANCE

### IV. Long Answer Questions

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

##### i). Life Insurance

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

→ Annuity Policy

→ Children's Endowment Policy

## ii). Non – Life Insurance

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

## iii). Fire Insurance

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

## iv). Marine Insurance

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

## v). Health Insurance

- In mid 80's, most of the hospitals in India were government owned and treatment was free of cost.
- With the advent of Private Medical Care, the need for Health Insurance was felt and various Insurance Companies introduced Health Insurance as a Product.
- Presently the health insurance exists primarily in the form of 'Mediclaim policy'.

## vi). Miscellaneous Insurance

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

## 2. Explain the principles of insurance.

### i). Utmost Good Faith

- ⚙ According to this principle, both insurer and insured should enter into contract in good faith.
- ⚙ Insured should provide all the information that impacts the subject matter.
- ⚙ Insurer should provide all the details regarding insurance contract.
- ⚙ Both the insurer and the insured should display good faith towards each other in regard to the contract

### ii). Insurable Interest

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

- So that they will suffer financially on the happening of the event against which they are insured.

### iii). Indemnity

- ✱ Indemnity means security or compensation against loss or damages.
- ✱ In insurance, the insured would be compensated with the amount equivalent to the actual loss and not the amount exceeding the loss.
- ✱ This principle ensures that the insured does not make any profit out of the insurance.
- ✱ This principle of indemnity is applicable to property insurance alone.

### iv). Causa Proxima

- ✱ The word 'Causa proxima' means 'nearest cause'.
- ✱ According to this principle, when the loss is the result of two or more cause, the proximate cause, i.e. the direct.
- ✱ The direct, the most dominant and most effective cause of loss should be taken into consideration.
- ✱ The insurance company is not liable for there mote cause.

### v). Contribution

- ✱ The same subject matter may be insured with more than one insurer then it is known as 'Double Insurance'.
- ✱ In such a case, the insurance claim to be paid to the insured must be shared on contributed by all insurers in proportion to the sum assured by each one of them.
- ✱ It may be noted that in case of multiple insurance, the insured can claim the loss from any of the insurers subject to the condition that the insured cannot recover more than the amount of actual loss from all taken together.

## 3. Discuss the causes of risk.

### (i) Natural Causes

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

### (ii) Human Causes

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

### (iii) Economic Causes

- ♣ These include uncertainties relating to demand for goods, competition, price, collection of dues from customers, change of technology or method of production, etc.
- ♣ Financial problems like rise in interest rate for borrowing, levy of higher taxes, etc., also come under this type of causes as they result in higher unexpected cost of operation of business.

**(iv) Other Causes**

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

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**CHAPTER – 16**

**EMERGING SERVICE BUSINESS IN INDIA**

**IV. Long Answer Questions:**

**1. Enumerate the characteristics of franchising.**

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

**2. Elucidate the features of factoring.**

**i) Maintenance of book-debts**

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

**ii) Credit coverage**

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

**iii) Cash advances**

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

**iv) Collection service**

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

**v) Advice to clients**

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



### 3. Describe the benefits of Outsourcing.

#### i). Focusing on Core Activities

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

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

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

#### iii). Encourages Employment Opportunities

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

#### iv). Reduction in Investment

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

#### v). Quest for Excellence

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

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

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

##### Meaning

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

##### Need for BPO

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

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

##### Meaning

- ✦ KPO refer to outsourcing of Knowledge based Process.

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

#### Need for KPO

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

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

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

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

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

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

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

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

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

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

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

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

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