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COMMERCE

11th Standard

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UNIT

FUNDAMENTALS OF BUSINESS

CHAPTER

1

HISTORICAL BACKGROUND OF COMMERCE IN THE SUB-CONTINENT

CHAPTER SNAPSHOT

- 1.01 Introduction
- 1.02 Barter System
- 1.03 Hindrances of Commerce
- 1.04 Elimination of Hindrances of Commerce

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. In Pandiyas Dynasty the place where the goods are sold is _____. [QY-2019; HY-2019]

- (a) Angadi (b) Market
(c) Nalangadi (d) Allangadi

[Ans. (a) Angadi]

2. Hindrance of place is removed by _____. [BEQ] [QY-2018; June-2019]

- (a) Transport (b) Warehouse
(c) Salesman (d) Insurance

[Ans. (a) Transport]

3. Who wrote "Arthasasthra"?

- (a) Kautilya (b) Kambar
(c) Thiruvalluvar (d) Elangovadigal

[Ans. (a) Kautilya]

4. Trade and Commerce was common to _____ Dynasty. [BEQ] [First Mid-2018; QY-2018]

- (a) Pallava (b) Chola
(c) Pandiya (d) Chera

[Ans. (c) Pandiya]

5. _____ was first sultan who paved way in the dense forest and helped traders to move from one market place to others place for their commercial caravans.

- (a) Balban (b) Vascoda Gama
(c) Akbar (d) Alauddin Khilij

[Ans. (a) Balban]

II. VERY SHORT ANSWER QUESTIONS.

1. What is meant by Barter System?

[HY-2018, 2019; June-2019]

Ans. (i) In olden days goods were exchanged for goods. It is called barter system.

(ii) Before invention of money goods were exchanged for goods.

(II) (i) Hindrance of Person :

- (1) Manufacturers do not know the place and face of the consumers.
- (2) It is the retailer who knows the taste, preference and location of the consumers.

(ii) Hindrance of place :

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

(iii) Hindrance of time :

- (1) Consumers want products whenever they have money, time and willingness to buy.
- (2) Goods are produced in anticipation of such demands.

- (III) (i) Trade removes the hindrance of person.
- (ii) Transport removes place hindrance.
- (iii) Warehousing removes the hindrance of time.
- (iv) Advertisement and salesmanship removes hindrance of knowledge.
- (v) Insurance removes hindrance of risk.

ADDITIONAL QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER**1 MARK****(i) CHOOSE THE CORRECT OPTION.****1. Barter system refers to**

- (a) Exchange of goods against cash
- (b) Exchange of cash against cash
- (c) Exchange of goods against goods
- (d) Exchange of service against cash

[Ans. (c) Exchange of goods against goods]**2. Warehouse removes the hindrance of [BEQ]**

- (a) personal
- (b) time
- (c) place
- (d) risk **[Ans. (b) time]**

3. Day market was called as

- (a) Allangadi
- (b) Nalangadi
- (c) Market
- (d) None of these

[Ans. (b) Nalangadi]**4. Foreigners who transacted business were known as [BEQ]**

- (a) Jonagar
- (b) Arabs
- (c) Europe
- (d) Yavanars

[Ans. (d) Yavanars]**5. Arabs who traded with Tamil were called**

- (a) Yavanars
- (b) Jonagar
- (c) Both
- (d) None of these

[Ans. (b) Jonagar]**(ii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.****1.**

	List I		List II
(i)	Hindrance of person	(1)	ware housing
(ii)	Hindrance of place	(2)	Damage by fire
(iii)	Hindrance of time	(3)	Transports
(iv)	Hindrance of risk of loss	(4)	Retailers

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	1	4
(d)	3	4	2	1

[Ans. (b) (i) - 4, (ii) - 3, (iii) - 1, (iv) - 2]**(iii) CHOOSE THE CORRECT OPTION AND FILL IN THE BLANKS.****1. _____ is part and parcel of human life, whether it is a king or common man.**

- (a) Commerce
- (b) Industry
- (c) Trade
- (d) Business

[Ans. (a) Commerce]**2. The word vaniyam or vanipam would have had a _____ origin.**

- (a) Tamil
- (b) Dravidian
- (c) Greek
- (d) None of these

[Ans. (b) Dravidian]

CHAPTER

2

OBJECTIVES OF BUSINESS

CHAPTER SNAPSHOT

- 2.01 Introduction
- 2.02 Types of Economic Activities
- 2.03 Characteristics of Business
- 2.04 Objectives of Business

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. The Primary objective of a business is
[BEQ] [QY-2018; HY-2018, 2019]
(a) Making Profit (b) Not making Profit
(c) Special Skill (d) None of the above
[Ans. (a) Making Profit]
2. Occupation of a Doctor is
[BEQ] [QY-2018, 2019; Govt. MQP-2019]
(a) Employment (b) Business
(c) Profession (d) Sole Proprietor
[Ans. (c) Profession]
3. The following does not characterize business activity?
[BEQ] [Govt. MQP-2018]
(a) Production of goods and services
(b) Presence of risk
(c) Sale or exchange of goods and services
(d) Salary or wages [Ans. (d) Salary or wages]
4. Activities undertaken out of love and affection or with social service motive are termed as :
[BEQ] [First Mid-2018; QY-2019]
(a) Economic activities [BEQ] [First Mid-2018; QY-2019]
(b) Monetary activities
(c) Non-Economic activities
(d) Financial Activities
[Ans. (c) Non-Economic activities]

II. VERY SHORT ANSWER QUESTIONS.

1. Define Economic Activities.

Ans. (i) Economic Activities refers to those activities which are undertaken with the **object of earning money.**

(ii) For Example : Workers working in a factory, shopkeeper selling the goods in his Shop, Doctor attending the patient in his Clinic, etc.

2. What do you mean by Business? [BEQ]

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

3. Define Profession. [BEQ] [First Mid-2018; QY-2019]

Ans. (i) Professions are those occupations which involve rendering of personal services of a **special and expert nature.**

(ii) It includes professional activities. People engaged in a profession are known as Professionals.

(ii) For Example : Lawyers, Doctors, Engineers and Chartered Accountants.

(v) National Objectives :

- (1) Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations.

- (2) Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business.

4. Distinguish between economic and non-economic activity.

[BEQ] [First Mid-2018; QY-2018; June-2019]

Ans.

Basis	Economic activities	Non - economic activities
(1) Definition	Economic activities are those activities which are undertaken to earn money or financial gain for livelihood. e.g : Fruit seller selling fruits.	Non-economic activities are those activities which are undertaken for the sake of pleasure, performed out of love, sympathy, sentiments etc. e.g : Mother cooks for her family.
(2) Motive	Sole motive is to earn money or financial gain. e.g : Working as lawyer	Undertaken for satisfaction of social, psychological or emotional needs. e.g : Visit to a temple
(3) Money Measurement	All economic activities can be valued in monetary terms. e.g : Doctor charges ₹500 as consultation fee.	Non-economic activities cannot be valued in monetary terms. These are an expression of a thought, feeling or a gesture. e.g : An NGO distributes free clothes to poor children.
(4) Relationship	Economic activities are related to creation of wealth. e.g : Ram saved part of his salary to purchase a house of his own.	Non-economic activities do not create wealth. e.g : Money received as donation is spent on charity work.
(5) Outcome	All economic activities result in production, procurement, distribution and consumption of goods and services. e.g : Nokia produces cell phones and sells across India through its distributors.	The end result of a non-economic activity is the mental, emotional or psychological satisfaction of the person doing the activity. e.g : Sona enjoys teaching orphans in an orphanage.
(6) Duration	Economic activities are repetitive. They are done on a regular basis to earn a living. e.g : Kulfi ice cream seller sells ice creams every evening.	Non-economic activities may not be undertaken regularly. Usually they are done during free time. e.g : Sankar visits orphanage in his free time
(7) Source of Initiation	Economic activities are initiated to satisfy human needs and wants.	Non-economic activities are initiated to satisfy emotional or sentimental pleasures.

GOVERNMENT EXAM QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER**1 MARK****(i) CHOOSE THE CORRECT OPTION.**

1. Which one of the following comes under Non-economic Activities? [Mar. 19]

- (a) Working as a Lawyer
(b) Doctor Charges Consultation Fees
(c) Fruit Seller Selling Fruits
(d) Visit to a Temple [Ans. (d) Visit to a Temple]

(ii) WHICH ONE OF THE FOLLOWING IS NOT CORRECTLY MATCHED?

1. [BEQ] [Govt. MQP-2018]

- (a) Business - Profit
(b) Profession - Professional fee
(c) Employment - Salary or wages
(d) Industry - Purchase or sale

[Ans. (d) Industry - Purchase or sale]

GOVERNMENT EXAM QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:

1. [BEQ] [Govt. MQP-2018]
- Extractive industries extract products from natural resources
 - Genetic industries engaged in breeding plants and animals for their use in further reproduction
 - Manufacturing industries are engaged in producing goods through processing of raw material
 - Construction industries are involved in the successive stages for manufacturing sugar and paper, etc.

[Ans. (d) Construction industries are involved in the successive stages for manufacturing sugar and paper, etc.]

II. VERY SHORT ANSWER QUESTIONS

2 MARKS

1. Kumar owns a cattle breeding farm in Namakkal.
- Is this an example of extractive industry?
 - Give the meaning of such industry.

[BEQ] [Govt. MQP-2018]

- Ans. (i) No. Cattle breeding is an example for genetic industries.
- (ii) Genetic industries remain engaged in breeding plants and animals for their use in further reproduction.

2. Siva is a fisherman in Rameshwaram and owns five fishing vessels. Identify the form of industry in which he operates. Give the meaning of it.

[BEQ] [Govt. MQP-2018]

Ans. The form of industry is Extractive Industries.

Meanings :

Industries, which are engaged in the supply of commodities extracted from the earth, are called extractive industries

III. SHORT ANSWER QUESTIONS 3 MARKS

1. Name the industry which is concerned with the production of goods with the help of the nature. Explain any two types of such industries.

Ans. **Primary Industries :** [BEQ] [Govt. MQP-2018] [Mar. 19]
Primary industry is concerned with production of goods with the help of nature. These industries may be further sub divided as follows:

(i) Extractive Industries :

These industries extract or draw out products from natural sources. Extractive industries supply some basic raw materials that are mostly products of geographical or natural environment. Important extractive industries include farming, mining, oil drilling, hunting and fishing operations.

(ii) Genetic Industries :

These industries remain engaged in breeding plants and animals for their use in further reproduction. The seeds, nursery companies, poultry, dairy, piggery, hatcheries, nursery, fisheries, apiary etc are classic examples of genetic industries.

2. Write any three characteristics of commerce.

Ans. (i) Economic activities :

[QY-2018, 2019; HY-2018]

All economic activities are undertaken to earn a profit. Commerce deals with all economic activities undertaken for profit.

(ii) Exchange of goods and services :

Commerce involves an exchange of goods and services for profit. Goods may be produced for the purpose of resale to the customers.

(iii) Earning Motive :

Profit is an incentive for undertaking all commercial activities. Any activity, which does not have the incentive of profit, will not be a part of commerce.

IV. LONG ANSWER QUESTIONS 5 MARKS

1. Activities involving distribution of goods and services is called commerce whereas purchase and sale of goods and services is called trade. Tabulate the other differences between the two?

[BEQ] [Govt. MQP-2018]

Ans.

Sl. No.	COMMERCE	TRADE
Scope :		
1.	Comprises trade auxiliaries to trade	Comprises exchange of goods and services

UNIT II FORMS OF BUSINESS ORGANISATION

CHAPTER

4

SOLE PROPRIETORSHIP

CHAPTER SNAPSHOT

- 4.01 Introduction
- 4.02 Definition of Sole Trader
- 4.03 Characteristics
- 4.04 Advantages and Disadvantages

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. Which is the oldest form of Business organisation?

[BEQ] [QY-2018; Mar. 19; HY-2019]

- (a) Sole Proprietorship (b) Partnership
- (c) Co-operative Society (d) Company

[Ans. (a) Sole Proprietorship]

2. In which form the owner, establisher and manager is only one?

- (a) Joint Enterprise
- (b) Government Company
- (c) Co-operative Society
- (d) Sole Proprietor

[Ans. (d) Sole Proprietor]

3. A major disadvantage of sole proprietorship is _____.

[QY-2019]

- (a) Limited liability (b) Unlimited liability
- (c) Easy Formation (d) Quick decision

[Ans. (b) Unlimited liability]

4. From the following which one is Non-corporate form of business?

[HY-2018]

- (a) Joint stock company
- (b) Sole trading business
- (c) Government company
- (d) Co-operatives [Ans. (b) Sole trading business]

II. VERY SHORT ANSWER QUESTIONS.

1. Who is called a Sole Trader? [BEQ]

Ans. The person who invests capital and manages the business himself is called as sole trader or sole proprietor.

II. VERY SHORT ANSWER QUESTIONS.**2 MARKS**

1. State the various kinds of Non-corporate enterprises.

Ans. The various kinds of non-corporate enterprises are :

- (i) Sole Proprietorship
- (ii) Partnership
- (iii) Joint Hindu Family Business

2. How does a sole trader business enterprise help provide self-employment?

Ans. (i) Sole Proprietorship provides self-employment opportunity to many persons with small resources.

(ii) It offers a way of life for securing the means of livelihood to those who do not want to serve under others.

(iii) It makes people self dependent by providing self-employment.

3. Why do sole traders lose the economies of large scale production?

Ans. Because of limited capital and skill, the sole traders have to work on a small scale basis. thus he is deprived of economies of large scale operation.

III. SHORT ANSWER QUESTIONS 3 MARKS

1. Can a sole trader business enterprise obtain the benefits of specialisation?

Ans. (i) The sole trader has to undertake all the work relating to business himself such as buying, selling, accounting, financing, advertising etc.

(ii) It would be difficult to avail the services of experts in his business because of small resources.

(iii) So, the benefits of division of labour and specialisation cannot be obtained in this type of business.

2. Write about 'flexibility' in the business management of a sole trader. Think and explain.

Ans. (i) It is a highly flexible type of organisation.

(ii) A sole proprietorship concern is generally run on a small scale basis.

(iii) A change in operation is possible without involving much expenditure.

(iv) The proprietor can adapt and adjust to the changing trends and market conditions because the sole trader is the sole owner of his business.

HOTS**I. VERY SHORT ANSWER QUESTIONS****2 MARKS**

1. Why is it said that sole proprietor is a sole risk bearer and profit recipient?

Ans. A sole trading concern is owned by an individual. The sole trader takes all decisions and manages and controls the affairs of business. He provides his own capital to the business. Thus, he is entitled to receive all profits and has to bear risks of the business.

II. SHORT ANSWER QUESTIONS 3 MARKS

1. Name the business which are suitable to sole proprietorship form of organisation.

Ans. Sole proprietorship is suitable for the following business.

(i) It is the most suitable form for small business such as local grocery shop and small-scale retailers selling clothes, shoes etc.

(ii) This form is suitable for business which are required to give personal attention to the needs of the customers, such as beauty parlours, boutiques etc.

(iii) This form is suitable for business in which quick decision making is required, as in the case of stock broking business.

(iv) It is suitable for professionals such as doctors, lawyers etc.

2. Vani, who was a teacher, is not able to continue her job because of nuclear family problems. She has to look after her children so, she decided that she would do something from her home. She decided to start a water purifier servicing centre. This will only require one room as office and employ few boys for service providing.

(i) Which type of business activity does she want to start?

(ii) Which form of business organisation would be suitable for her?

(iii) What values are taken care of by Vani?

Ans. (i) Services

(ii) Sole proprietorship

(iii) Value fulfilled by Vani are

(a) Employment generation

(b) Self employment, leading to contribution towards national income.



(2) Membership by Birth :

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

- 2. Name the partner who has not completed 18 years of age. Can he be admitted into partnership? Why?** [June-2019]

Ans. Minor Partner. A minor is a person who has not completed 18 years of age. A minor is not qualified to enter into a contract and hence cannot become a partner. But he may be admitted as a partner to the benefits of partnership with the mutual consent of all the partners.

III. LONG ANSWER QUESTIONS 5 MARKS

- 1. Palani is a civil engineer. He has met two building contractors who wish to enter into agreement with him to construct and sale buildings. They prepared to make the investment and offer one fourth share in profits to Palani.** [Govt. MQP-2018]

- (i) Identify the type of business they start.
(ii) Explain any four of its features.

Ans. (i) Partnership firm
(ii) Characteristics

The main characteristics of partnership are given below:

i. Contractual Relationship

Partnership is the result of an agreement, which may be oral or written. Consequently persons not competent to contract (for example, minors) cannot form it.

ii. Plurality of persons

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

iii. Existence of business

The partnership agreement must be to carry on lawful business or a profession. If there is no business there can be no partnership. In other words, partnership is not a club or a charitable association.

iv. Sharing profits

The business must be carried on with a view to earn profit and share it among all the partners. An agreement to undertake philanthropic activities does not constitute partnership because profit motive is completely absent.

ADDITIONAL QUESTIONS & ANSWERS**I. CHOOSE THE CORRECT ANSWER****1 MARK****(i) CHOOSE THE CORRECT OPTION.**

- 1. The Joint Hindu Family Business is a distinct form of organisation peculiar to**
(a) India (b) Italy
(c) Germany (d) USA [Ans. (a) India]
- 2. In a Joint Hindu Family Firm even a new born baby can be a**
(a) Minor (b) Partner
(c) Co-parcener (d) None of these
[Ans. (c) Co-parcener]
- 3. The 'Karta' in the Hindu undivided Family Business has** [BEQ]
(a) Joint Liability with other co-parceners
(b) Limited Liability
(c) Unlimited Liability
(d) No Liability for the family's debts
[Ans. (c) Unlimited Liability]

- 4. Name the Partner whose association with the firm is not known to the general Public :**

- (a) Sleeping Partner (b) Active Partner
(c) Nominal Partner (d) Secret Partner

[Ans. (d) Secret Partner]

- 5. A Partnership firm may be registered under**

- (a) 1949 Act (b) 1956 Act
(c) 1932 Act (d) 1890 Act

[Ans. (c) 1932 Act]

- 6. In Partnership there exists relationship of**

- (a) principal and agent
(b) owner and servant
(c) employer and employee
(d) owner and employee

[Ans. (a) principal and agent]

- 7. The Maximum number of members in non-banking firm is**

- (a) 10 (b) 15 (c) 20 (d) 25

[Ans. (c) 20]

CHAPTER

6

JOINT STOCK COMPANY

CHAPTER SNAPSHOT

- 6.01 Meaning and Definition of a Company
- 6.02 Types of Companies
- 6.03 Memorandum of Association
- 6.04 Articles of Association
- 6.05 Prospectus

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. The relationship between outsiders and the company is defined in _____ [BEQ] [QY-2019]

- (a) Prospectus
- (b) Articles of Association
- (c) Memorandum of Association
- (d) Certificate of Incorporation

[Ans. (c) Memorandum of Association]

2. Table A of the Companies Act is a _____

- (a) Model minutes book
- (b) Model form of Balance Sheet
- (c) Model of AOA
- (d) Model of MOA

[Ans. (c) Model of AOA]

3. Which of the following is created by a Special Act of Parliament or in State Assemblies?

- (a) Chartered company (b) Foreign company
- (c) Government company (d) Statutory company

[Ans. (d) Statutory company]

4. The Board of directors of a company is elected by _____ [BEQ] [Govt. MQP-2018, 2019; First Mid-2018;

QY-2018; Mar. 19]

- (a) Creditors
- (b) Debtors
- (c) Debenture holders
- (d) Share holders (members)

[Ans. (d) Share holders (members)]

5. Companies established as a result of a charter granted by the King or Queen of a country is called _____ [HY-2019]

- (a) Chartered companies (b) Statutory companies
- (c) Registered companies (d) Foreign companies

[Ans. (a) Chartered companies]

CHAPTER

7

COOPERATIVE ORGANISATION

CHAPTER SNAPSHOT

- 7.01 Meaning and Definition
- 7.02 Principles of Cooperation
- 7.03 Features of Cooperatives
- 7.04 Advantages and Disadvantages
- 7.05 Types of Cooperatives

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. Membership in a Cooperative organization is :

- (a) Not open to all
- (b) Selective
- (c) Open to all
- (d) None of them

[Ans. (c) Open to all]

2. Cooperative fails because of

- (a) Unlimited membership
- (b) Cash trading
- (c) Mismanagement
- (d) Loss-making

[Ans. (c) Mismanagement]

3. All Cooperatives are established with [QY-2019]

- (a) Philanthropic motive
- (b) Service Motive
- (c) Profit motive
- (d) Reform motive

[Ans. (b) Service Motive]

4. Consumers Co-operation was first successful in [BEQ] [QY-2018]

- (a) England
- (b) USA
- (c) Swiss
- (d) India

[Ans. (a) England]

5. Rochdale Society of equitable pioneers was started by _____.

[BEQ] [First Mid-2018; HY-2018; June-2019; QY-2019]

- (a) Robert Owen
- (b) H.C. Calvert
- (c) Talmaki
- (d) Lambert

[Ans. (a) Robert Owen]

II. VERY SHORT ANSWER QUESTIONS

1. What do you mean by Cooperative organization?

Ans. (i) A cooperative is a private business organisation that is owned and controlled by the people who use its products, supplies or services.

(ii) Cooperatives are formed by individuals who coordinate among themselves (horizontal coordination) to achieve vertical integration in their business activities.

2. Define Cooperatives.

[BEQ]

Ans. According to **H. Calvert** Cooperation is a form of organization in which persons voluntarily associate together as human beings on the basis of equality for the promotion of the Economic interests of themselves.

IV) Misuse of funds

- (a) I and II (b) II and IV
(c) I and IV (d) II and III

[Ans. (a) I and II]

(ix) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:

- Housing cooperative societies advance loans to members, repayable over a period of 15 to 20 years.
 - Cooperative farming societies for its proper working elects its office bearers on the basis of one member-one-vote.
 - Housing building societies, on the other hand, construct houses for their members instead of granting loans to them.
 - The producers cooperatives perform certain marketing functions such as grading, warehousing, advertising etc.

[Ans. (d) The producers cooperatives perform certain marketing functions such as grading, warehousing, advertising etc.]

II. VERY SHORT ANSWER QUESTIONS

2 MARKS

1. What is meant by One man - One vote? [BEQ]

- Ans. (i)** Cooperative societies are managed on democratic lines.
(ii) Every member has only one vote irrespective of the number of shares held by him.
(iii) This principle is followed in Cooperative Societies.
(iv) This is known as one man-one vote.

2. What are the aims of Credit Cooperative Society?

- Ans. (i)** Credit Cooperative Societies are formed with the object of giving short term finance to its members.
(ii) The Cooperative Society protects its members from the clutches of the Money lender.

3. What are the aims of Cooperative Societies?

- Ans. (i)** The aim of Cooperative Society is service to weaker sections.
(ii) Service is the Primary objective while profit is secondary.

III. SHORT ANSWER QUESTIONS **3 MARKS**

1. Write a note on Rural Credit.

- Ans. (i)** Cooperative societies have contributed significantly in freeing villagers from money lenders.

- (ii) Earlier, money lenders used to charge high rates of interest and the earnings of the villagers were spent on payment on interest alone.
(iii) Cooperatives provide loans at cheaper interest rates and have benefited the rural community.

IV. LONG ANSWER QUESTIONS **5 MARKS**

1. Explain the Important features of Cooperative organisation.

Ans. The following are some of the important Principles of Cooperative Societies.

(i) Voluntary Membership :

Any person can become the member of the society and can leave it any time.

(ii) Equal Rights :

(1) Each member of the society has an equal right to vote and ownership.

(2) Each shareholder has one vote.

(iii) Democracy :

(1) The principle of democracy is adopted while making the decisions.

(2) The decision of the majority is honored.

(iv) Honesty :

(1) It is the basic principle of this society. Its members should be honest.

(2) Selfish people can not run the business of cooperative society.

(v) Mutual Confidence

(1) The foundation of Cooperative society is laid on mutual confidence.

(2) Members of the society should trust each other and work like a team.

(vi) Welfare Main Objective :

Its main objective is to provide goods and services to its members at lower price.

(vii) Cash Payment :

Credit team is prohibited and goods are supplied to its members on cash payment.

HOTS

I. SHORT ANSWER QUESTIONS **3 MARKS**

1. Co-operative societies are suitable for certain specific business. Enumerate them.

Ans. Co-operative societies are suitable for the business specified below.

- (i) Building housing societies for low and middle income groups.
(ii) To provide credit facilities to the rural poor.
(iii) For marketing of agricultural and industrial output of small scale units.



CHAPTER

8

MULTINATIONAL CORPORATIONS
(MNCs)

CHAPTER SNAPSHOT

- 8.01 Meaning and Definition
- 8.02 Advantages and Disadvantages
- 8.03 Examples of MNCs

EXERCISE

I. CHOOSE THE CORRECT ANSWER

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

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

[Ans. (c) owns companies in more than one country]

2. Centralised control in MNC's implies control exercised by

[BEQ] [First Mid-2018; HY-2018]

- (a) Branches
- (b) Subsidiaries
- (c) Headquarters
- (d) Parliament

[Ans. (c) Headquarters]

3. Enterprises operating in several countries but managed from one country is termed as _____

- (a) Government company
- (b) Multinational company
- (c) Private company
- (d) Joint Venture

[Ans. (b) Multinational company]

4. Dispersal of decision making power to branches/affiliates/subsidiaries by head office represents _____

[BEQ] [Govt. MQP - 2018; QY-2019]

- (a) Centralisation
- (b) Decentralisation
- (c) Power
- (d) Integration

[Ans. (b) Decentralisation]

5. Coca-Cola company is an example of _____.

- (a) MNC
- (b) Government company
- (c) Joint Venture
- (d) Public company

[Ans. (a) MNC]

II. VERY SHORT ANSWER QUESTIONS

1. Define Multinational Company.

[BEQ] [First Mid-2018; QY-2018, 2019]

Ans. According to, Neil H. Jacoby, "A multinational corporation owns and manages business in two or more countries".

2. Write any two advantages of MNC. [BEQ] [Mar. 19]

- Ans. (i) Its products and services of good quality at low cost.
(ii) MNCs help to improve the standard of living of people of host countries.

3. Give two examples of MNC.

- Ans. (i) Bata India
(ii) Colgate India
(iii) Maruthi Suzuki

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

- Ans. (i) Philips - Dutch Company
(ii) Coco Cola company - America Company
(iii) IBM - America Company

ADDITIONAL QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) CHOOSE THE CORRECT OPTION.

1. Railways are the examples of [BEQ]
 (a) Public Corporation
 (b) Departmental organisation
 (c) MNCs
 (d) None of these

[Ans. (b) Departmental organisation]

2. Public corporation is also known as
 (a) Statutory Corporation
 (b) District Corporation
 (c) Both 'a' and 'b'
 (d) None of these

[Ans. (a) Statutory Corporation]

3. For the efficient working of state enterprise the form of organisation generally considered suitable is [BEQ]

- (a) Departmental organisation
 (b) Public Corporation
 (c) Government Company
 (d) None of these [Ans. (b) Public Corporation]

4. The most suitable form of organisation for manufacturing defense goods is

- (a) solo trading concern
 (b) partnership
 (c) joint stock company
 (d) departmental organisation [Ans. (d) departmental organisation]

5. Public corporation is managed by a
 (a) Partners (b) Shareholders
 (c) Board of Directors (d) Directors [Ans. (c) Board of Directors]

(ii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.

1.	List I		List II
(i)	Departmental undertaking	(1)	Gas Authority of India Limited
(ii)	Public corporation	(2)	Service motive
(iii)	Government company	(3)	Life Insurance corporation of India
(iv)	Private entrepreneurs	(4)	Indian railways

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	1	4
(d)	3	4	2	1

[Ans. (b) (i) - 4, (ii) - 3, (iii) - 1, (iv) - 2]

(iii) CHOOSE THE CORRECT OPTION AND FILL IN THE BLANKS.

1. During the _____ century, various governments started participating in industrial and commercial activities.

- (a) Seventeenth (b) twentieth
 (c) twenty first (d) none of these

[Ans. (b) twentieth]

2. _____ revolution helped all-round growth of industries.

- (a) Industrial (b) Economic
 (c) Non-economic (d) none of these

[Ans. (a) Industrial]

3. _____ entrepreneurs worked, only for the profit motive.

- (a) Public (b) government
 (c) Private (d) None of these

[Ans. (c) Private]

4. Broad casting comes under _____ form of organisation

- (a) Public (b) Multinational
 (c) Statutory (d) Departmental

[Ans. (d) Departmental]

5. The _____ gets share capital fully from government.

- (a) Departmental Organisation
 (b) Public Corporation
 (c) State Enterprises
 (d) Partnership firm [Ans. (b) Public Corporation]

(iv) WHICH ONE OF THE FOLLOWING IS CORRECTLY MATCHED?

1. (a) Departmental undertaking - Indian Airline
 (b) Public corporation - Indian Railways
 (c) Government company - Tamil Nadu State Transport Corporation Ltd.,
 (d) Private company - Soletrading concern

[Ans. (c) Government company - Tamil Nadu State Transport Corporation Ltd.,]

UNIT III SERVICE BUSINESS - I

CHAPTER

10 Reserve Bank of India

CHAPTER SNAPSHOT

- 10.1 Need for the Study on Service Business
- 10.2 Banking Service
- 10.3 The Historical Development of Banks in India
- 10.4 Bank Definition
- 10.5 Definition of Central Bank
- 10.6 Origin of RBI
- 10.7 Organisational Structure of RBI
- 10.8 Functions of RBI

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. Which bank has the power to issue bank notes?

[June-2019]

- (a) Central bank (b) Commercial bank
(c) Co-operative banks (d) Foreign banks

[Ans. (a) Central bank]

2. The Central Bank of India is

- (a) PNB (b) SBI (c) ICICI (d) RBI

[Ans. (d) RBI]

3. The Reserve Bank of India commenced its operations from April 1, [BEQ] [QY-2018; HY-2018]

- (a) 1936 (b) 1935 (c) 1934 (d) 1933

[Ans. (b) 1935]

(i) The Leadership and supervisory functions :

India being the fastest growing economy in the world. India is expected to play a major role in the world affairs by many countries. Such functions get prominence in current scenario.

- (1) India's representative in the world financial institutions.
- (2) Regulator and Supervisor of Indian Banking system.
- (3) Monetary authority
- (4) Closely monitoring Economic parameters
- (5) Promptly responding to new challenges.

(ii) Traditional functions are as follows :

- (1) Banker and financial advisor to the government.
- (2) Monopoly of note issue
- (3) Banker's Bank
- (4) Controller of credit and liquidity

(iii) Promotional Functions :

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

- (1) Nurturing banking habits among the public
- (2) Grievance settlement measures

- (3) Agricultural development
- (4) Promotion of small scale industries.
- (5) Facilitates foreign trade
- (6) Supports Co-operative sector.

2. Explain the organizational structure of RBI.

[HY-2019]

- Ans. (i)** The Head office of the RBI is situated in Mumbai. This central office has 33 departments in 2017.
- (ii)** It has four zonal offices in Mumbai, Delhi, Calcutta and Chennai functioning under local boards with deputy governors as their heads.
- (iii)** It also has 19 regional offices and 11 sub-offices (2017). The RBI is governed by a Central Board of Directors.
- (iv)** The 21 member board is appointed by the Government of India. It consists of :
- (1) one governor and four deputy governors appointed for a period of four years,
 - (2) ten directors from various fields
 - (3) two Government officials
 - (4) four directors - one each from local boards.

GOVERNMENT EXAM QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER**1 MARK****(i) CHOOSE THE CORRECT OPTION.****1. The traditional function of Reserve Bank of India does not include**

[BEQ] [Govt. MQP-2018]

- (a) Clearing house services
- (b) Government Banker
- (c) Bankers bank
- (d) Supports of co-operative sector

[Ans. (b) Government Banker]**2. The phrase "Lender of the last resort" refers to**

[BEQ] [Govt. MQP-2018]

- (a) World Bank
- (b) Asian Bank
- (c) Reserve Bank
- (d) State Bank

[Ans. (c) Reserve Bank]**3. Who is the present Governor of RBI?**

[HY-2018]

- (a) Rahuram rajan
- (b) Urjit patel
- (c) Arun jaitley
- (d) Arundhati Battacharya

[Ans. (*) None of the options are correct]**4. _____ clearing houses are owned by RBI.**

[HY-2019]

- (a) 14
- (b) 840
- (c) 6
- (d) 60

[Ans. (a) 14]**II. LONG ANSWER QUESTIONS 5 MARKS****1. Every nation has one central bank. It is owned by the government. The control over the entire banking system of a country is vested with this apex bank. Central banks are known as different names in different countries. Their functions also vary from one country to other. Reserve Bank of India is the central bank of our country. Explain the following functions of Reserve Bank of India.**

- (i) Government Banker [BEQ] [Govt. MQP-2018]
- (ii) Bankers bank
- (iii) Monopoly of note issue
- (iv) Controller of credit

Ans. (i) Banker and Financial Advisor to the Government

The RBI accepts money into the Central and State Governments' accounts and make payments on their behalf. It manages

CHAPTER

11

TYPES OF BANKS

CHAPTER SNAPSHOT

11.01 Introduction

11.02 Types of banks

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. Which bank is not a Industrial Bank?

[BEQ] [Govt. MQP-2018]

- (a) ICICI (b) HSBC
(c) SIDBI (d) IDBI

[Ans. (b) HSBC]

2. The Local Area Banks are promoting. [QY-2019]

- (a) Rural savings
(b) Business savings
(c) Industrial development
(d) Agricultural development

[Ans. (a) Rural savings]

3. Foreign banks are begun their operation since

[QY-2019]

- (a) 1978 (b) 1979 (c) 1980 (d) 1981

[Ans. (c) 1980]

II. VERY SHORT ANSWER QUESTIONS

1. Give the meaning of Commercial Banks.

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

(ii) Their lending is in comparatively small amounts and mostly for short and medium period.

(iii) Examples : State Bank of India, Karur Vysa Bank, Standard Chartered Bank

2. What do you mean by Industrial Banks?

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

3. Briefly explain about Correspondent Banks.

Ans. (i) Banking correspondents are retail agents engaged by banks for providing banking services at low cost in locations other than a bank branch/ATM.

(ii) They are not separate banks recognised by RBI.

4. What are Foreign Banks?

[BEQ] [QY-2018; Mar. 19; HY-2019]

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

(ii) These banks open their offices in big cities and port towns only.

(iii) Examples :

- (1) Bank of America - The USA
(2) Barclays Bank - The UK
(3) Deutsche Bank - Germany

- (iv) Transactions do not occur under real time basis. There is no minimum or maximum limit of funds that can be transferred under the NEFT for holders of bank account. For others, there is a maximum limit, which is less than ₹ 50,000.

5. What do you mean by Core Banking Solutions?

Ans. (i) CORE stands for **Centralised Online Real Time Exchange**.

- (ii) Core Banking or centralised Banking is the process by which the informations relating to a customers' account is stored in the central server of the bank and that is available to all the networked branches of the bank.
- (iii) A customer can withdraw money through cheque at any branch of that bank throughout the world. Similarly any one can deposit money into the account.
- (iv) Entry of such transactions are recorded in the centralised server of the bank in real time and can be seen in all the branches of the Bank. This facility is called as Core-Banking solutions.

IV. LONG ANSWER QUESTIONS

1. Discuss the various primary functions performed by the commercial banks. [BEQ]

Ans. The Primary functions of Banks are :

- (i) Accepting Deposits
- (ii) Granting of Loans and Advances
- (iii) 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 to these deposit accounts. 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

(b) Time Deposits :

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

1. Fixed Deposits (FD)
2. Recurring Deposits (RD)

(ii) Granting Loans and Advances :

The second primary function of commercial banks is lending money in order to earn interest income. Banks provide specific sums as loans which are repayable along with interest. Demand loans should be repaid whenever demanded.

(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.

2. Explain the various secondary functions of commercial banks. [BEQ] [QY-2018, 2019]

Ans. 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:

- (1) Transfer of Funds
- (2) Periodic Payment of Premiums, Rent, etc.
- (3) Collection and Payment of Cheques
- (4) Acting as Executors, Trustees and Attorneys
- (5) Conduct Share Market Transactions
- (6) Preparation of Income Tax Return
- (7) Dealing in Foreign Exchange
- (8) 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.

- (1) Issue of demand drafts and bankers' Cheques
- (2) Accepting Bills of Exchange on behalf of Customers
- (3) Safety lockers
- (4) Letters of credit
- (5) Travelers cheques
- (6) Gift cheques
- (7) Reference service

(3) A customer can withdraw money through cheque at any branch of that bank throughout the world.

(4) Similarly anyone can deposit money into the Account.

(v) Internet Banking or Virtual Banking :

(1) Internet banking refers to performing banking operations through Internet, using computers and mobile phone.

(2) This can be done by a customer from his home or office or any part of the world and all 24 hours of 7 days.

(vi) Mobile Banking :

(1) Most of the commercial banks have designed computer programmes called 'Apps' which can be downloaded in smartphones.

(2) With this 'Apps' in the smartphone a customer can operate his account transactions from anywhere. This service is known as Mobile Banking.

3. Explain the need of Commercial Banks to the development of the country. (Any Six)

Ans. (i) More Production and Economic growth :

(1) These Banks supply the vitamin money to all sectors of the economy including manufacturing sector.

(2) As a result all the sectors produce more.

(ii) Capital formation :

(1) Banks encourage savings habit among people and accumulate their small dormant savings.

(2) These funds can be fruitfully channelized for productive purposes of the economy.

(iii) Consortium Finance :

(1) Thousands of crores required to establish a mega factory is not available from a single source.

(2) Banks join together and provide consortium finance in such cases.

(iv) Balanced regional development :

(1) Banks transfer funds from surplus areas and make them available in scarce districts or areas for the formation and operation of business institutions.

(2) Even growth of different regions can be achieved through this function.

(v) Smoothing of Trade and Commerce :

(1) For the efficient functioning of all traders and business institutions in a country, safe keeping of their funds, transfer of funds, payment and collection of funds when and where needed is very much necessary. Banks perform this function.

(vi) Development of industry, agriculture, MSME's and SHG's :

(1) Banks design methods and instruments of financing each sector differently.

(2) They provide finance for small farmers, medium traders as well as industries.

(3) **For Example :** Banks allow micro credit to SHGs, overdraft to traders and issue of certificate of deposits to finance industries.

HOTS

I. SHORT ANSWER QUESTIONS 3 MARKS

1. What are the differences between Current Accounts and Savings Bank Accounts?

Ans.

Current Accounts	Savings Bank Accounts
Current Accounts are meant for business people, public authorities, etc.	Savings Bank Accounts are meant for middle and low income group of people only.
The minimum balance required for maintaining current account is more.	The minimum balance required for maintaining savings account is less.
There are no restrictions on number of withdrawals in this account.	There are some restrictions on number of withdrawals.
Current account holders can get overdraft facilities.	Savings bank account holders cannot get any overdraft facilities.
No interest is allowed on current accounts.	Fair interest is allowed on savings bank accounts.



CHAPTER

14

TRANSPORTATION

CHAPTER SNAPSHOT

14.01 Meaning and Definition of Transport

14.02 Types of Transport

14.03 Recent Trends in Transportation

14.04 Documents Used in Transportation

14.05 Common Carrier

EXERCISE

I. CHOOSE THE CORRECT ANSWER

- Transport removes the hindrance of
(a) Time (b) Place
(c) Person (d) Knowledge
[Ans. (b) Place]
- Air consignment note is prepared in _____ forms.
(a) One (b) Two (c) Three (d) Four
[Ans. (c) Three]
- _____ is a document acknowledging the receipt of goods by a carrier
(a) Way bill (b) Consignment note
(c) Charter party (d) Bill of lading
[Ans. (a) Way bill]
- Which is the fastest means of transport?
[BEQ] [[Govt. MQP-2019; QY-2018; 2019; Mar. 19]
(a) Rail (b) Road (c) Sea (d) Air
[Ans. (d) Air]

II. VERY SHORT ANSWER QUESTIONS.

- Define transport. [BEQ] [June-2019]
Ans. According to K.K. Sexena, "the transport system acts with reference to the area it serves in the same way as a candle does in a dark room".
- State any two services rendered by transport.
Ans. (i) It increases the efficiency of production.
(ii) It stimulates wants by increasing quantity and the variety of consumer goods.
- Write any two advantages of water transport. [BEQ] [QY-2019]
Ans. (i) It is considered as the cheapest mode of transport.
(ii) It is most suitable for heavy loads.

III. SHORT ANSWER QUESTIONS.

- What is bill of lading?
Ans. (i) Bill of Lading is a document containing the terms and conditions of the contract of carriage.
(ii) It is issued by the shipping company and signed by the captain of the ship.

- (2) Generally, the pack animals serve areas which are inaccessible to modern means of transport.

- (3) Animal transport has also played a significant role where there is no **road and railway transport**.

(ii) Bullock Carts :

- (1) It constitutes the predominant form of rural transport in India for goods traffic and to some extent for **passengers' traffic**.

- (2) It links up the villages with the nearby markets and railway stations. It carries the produce for sale to the market and consumer goods to the villages.

(iii) Motor lorries and Buses :

- (1) From the dawn of civilization, people have been endeavoring to form roads and use wheeled vehicles to facilitate transport of men and materials.

- (2) The credit of revolutionizing the road transport and introducing the elements of speed and greater carrying capacity into the system goes to motor Lorries and buses.

(iv) Tramways :

- (1) It made their appearance in the 19th century as a form of transport suitable for big cities.

- (2) Tramways were initially horse drawn later steam-powered and now electrically operated. Its carrying capacity is large.

- (3) They are able to cope up with the peak hour traffic in big cities with the greater popularity of motor buses, tramways slowly declined.

(v) Railways :

- (1) The invention of steam engine by James Watt, revolutionized the mode of transport all over the world.

- (2) Railway, as a mode of transport is the most organized transport undertaking all over the world.

- (3) Railways are the cheapest and quickest means of transport for carrying heavy goods over long distance.

2. Explain recent trends in Transport.

Ans. (i) Metro Rail :

- (1) Metro Rail is a **Mass Rapid Transport System (MRTS)**. It is a convenient, fast, efficient, reliable, comfortable mode of urban transport.

- (2) Rapid transit also known as heavy rail, metro, subway, tube or underground. It is a type of high capacity public transport generally found in urban areas.

(ii) Monorail :

- (1) A monorail is like a train, but instead of having two sets of wheels that balances on railway track, the monorail is balanced on top of one rail.

- (2) Monorails are often used to transport people around **large cities**. Some monorails utilize magnets to hover on their rails, reducing friction between the train and the rail.

(iii) Bullet train :

- (1) High-speed rail is a type of rail transport that operates significantly faster than traditional rail traffic, using an integrated system of specialized rolling stock and dedicated tracks.

- (2) The first such system began operations in Japan in 1964 and was widely known as the bullet train.

(iv) Pipeline Transport :

- (1) It is the mode of transportation of goods or materials through pipe. Liquids and gases are transported in pipelines.

- (2) Pipeline exist for the transport of crude and refined petroleum, fuels such as Oil, Natural gas and Bio-fuel etc., and other fluids including sewage, slurry and water. It requires heavy investment to install.

(v) Conveyor Transport :

- (1) It is the broad category of transport mode that includes modes developed from the idea of a conveyor belt.

- (2) **Examples :** Include Conveyor belt, two or more Pulleys with a continuous loop of material that rotates about them. Escalator, moving staircase and for carrying people between floors of building.

(vi) Ropeway Transport :

- (1) A Ropeway is another means of transport in naval lifting device. It can be operated in the place where road construction is impractical and costly.

CHAPTER

15

INSURANCE

CHAPTER SNAPSHOT

15.01 Meaning and Definition of Insurance

15.02 Principles of Insurance

15.03 Types of Insurance

15.04 Insurance Regulatory Development
Authority of India (IRDAI)

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. The basic principle of insurance is _____.

[BEQ] [QY-2018; 2019]

- (a) Insurable Interest (b) Co-operation
(c) Subrogation (d) Proximate causa

[Ans. (a) Insurable Interest]

2. _____ is not a type of general insurance.

- (a) Marine Insurance (b) Life Insurance
(c) Fidelity Insurance (d) Fire Insurance

[Ans. (b) Life Insurance]

3. Which of the following is not a function of insurance?

- (a) Lending Funds (b) Risk Sharing
(c) Capital formation (d) Protection of life

[Ans. (d) Protection of life]

4. Which of the following is not applicable in insurance contract?

- (a) Unilateral contract
(b) Conditional contract
(c) Indemnity contract
(d) Inter-personal contract

[Ans. (c) Indemnity contract]

5. Which one of the following is a type of marine insurance? [BEQ]

- (a) Money back (b) Mediclaim
(c) Hull insurance (d) Cargo insurance

[Ans. (d) Cargo insurance]

II. VERY SHORT ANSWER QUESTIONS.

1. List any five important type of policies. [BEQ]

- Ans. (i) Whole Life Policy
(ii) Endowment Life Assurance Policy
(iii) Joint-Life Policy
(iv) Annuity Policy
(v) Children's Endowment Policy

(iv) Uninsurable Risk :

- (1) Losses arising from unforeseen natural events, political changes or trade cycles are called uninsurable risks.
- (2) Loss due to earthquake or flood or cyclone cannot be estimated and their probability cannot be calculated. Government directly takes care of the affected persons.
- (3) Losses to businesses due to policy decisions of ruling political parties in a country, or due to economic depression cannot be insured.
- (4) These uninsurable risk events are called uncertainties. The concept of risk is different from uncertainty. During uncertain events decisions cannot be taken.

2. Explain any five types of Miscellaneous Insurance.**Ans. (i) Motor Vehicle Insurance :**

- (1) This is also known as 'Auto Insurance'. This policy comes under General Insurance. This insurance has become very popular and is gaining importance.
- (2) In motor insurance the owner's liability to compensate people who were killed or injured through an accident is passed on to the insurance company. The premium rate under this policy is standardized.

(ii) Burglary Insurance :

- (1) This policy comes under the category of insurance of property.
- (2) Any loss of damage due to theft, larceny, burglary, house-breaking and acts of such nature are covered by this policy. Actual loss is Compensated.

(iii) Cattle Insurance :

- (1) This is a bond in which a sum of money is secured to the insured in case of an event of death of animals like bulls, buffaloes, cows and heifers.
- (2) The cause of death may be an accident, disease or pregnant condition, etc. The insurer normally agrees to pay excess in case of loss.

(iv) Crop Insurance :

- (1) This policy is to provide financial support to farmers in the case of crop failure due to drought or flood.

- (2) It generally covers all risks of loss or damages relating to production of rice, wheat, millets, oil seeds and pulses etc.

(v) Sports Insurance :

- (1) This policy is a comprehensive cover for amateur sports persons regarding their sporting equipment, personal effects, legal liability and personal accident risks.
- (2) The cover is generally for following sports or more : Angling, badminton, cricket, golf, lawn tennis, squash and use of sporting guns etc.

HOTS**I. VERY SHORT ANSWER QUESTIONS****2 MARKS****1. How is Insurable Interest applied to various types of Insurance?**

- Ans. (i)** In case of 'Life Insurance' the insurable interest must be present at the time of taking policy.
- (ii)** In the case of Marine Insurance, the insurable interest must exist at the time of loss.
- (iii)** In the case of Fire Insurance, the insurable interest must apply at the time of taking policy as well as at the time of occurring loss.

2. State any two differences between whole life policy and endowment policy. [BEQ]**Ans.**

Whole Life Policy	Endowment Policy
The period of policy is indefinite.	The period of policy is definite or fixed.
The Policy amount is paid only on the death of the policy holder.	The Policy amount will be paid either on the maturity or on the death of the policy holder.

3. State the difference between Double Insurance and re-insurance?

- Ans. (i)** In case of Double Insurance, the same subject matter is insured by the insured with two or more insurers.
- (ii)** But in the case of re-insurance, the insured insures the subject matter only with one insurer.



- (ii) They could buy the products/services round the clock from anywhere in world
- (iii) The prices of products bought through e-commerce tend to be relatively lower than those purchased physically in the conventional shops due to offers, discount etc.
- (iv) Electronic and software products could be downloaded immediately after purchase through e-commerce mode
- (v) Customers could participate in e-auction which is one of the facets of e-commerce and get contract in a free and fair manner.

ADDITIONAL QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) CHOOSE THE CORRECT OPTION.

1. Under which model Business concern sell directly to consumers

(a) B 2 C (b) B 2 B (c) C 2 B (d) B 2 G

[Ans. (a) B 2 C]

2. The Factoring Regulation Act was passed in the year

(a) 2011 (b) 2012 (c) 2015 (d) 2017

[Ans. (a) 2011]

(ii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.

	List I		List II
(i)	BPO	(1)	Electronic commerce
(ii)	KPO	(2)	Consignment tax
(iii)	E-commerce	(3)	Contractual services
(iv)	Role of Government	(4)	Knowledge based process

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	3	4	1	2
(c)	4	3	2	1
(d)	2	3	1	4

[Ans. (b) (i) - 3, (ii) - 4, (iii) - 1, (iv) - 2]

(iii) CHOOSE THE CORRECT OPTION AND FILL IN THE BLANKS.

1. The Franchisor levies fees in the form of _____. [BEQ]

(a) Rent (b) Commission
(c) Royalty (d) Salary

[Ans. (c) Royalty]

(iv) WHICH ONE OF THE FOLLOWING IS CORRECTLY MATCHED?

1. (a) Factoring - Distributive System
(b) Logistics - Cash and Credit basis
(c) Outsourcing - United States of America
(d) BPO - Business Process Outstanding

[Ans. (c) Outsourcing - United States of America]

(v) WHICH ONE OF THE FOLLOWING IS NOT CORRECTLY MATCHED?

1. (a) B2C - Business to consumers
(b) B2G - Business to Government
(c) C2C - Consumer to Computer
(d) C2B - Customer to business

[Ans. (c) C2C - Consumer to Computer]

(vi) CONSIDER THE FOLLOWING STATEMENT.

1. Assertion (A) : Franchising is used by businesses for marketing and distributing products and services.

Reason (R) : The individual who acquires the right to operate the business or use the trademark of the seller is known as the franchisee.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
(b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
(c) (A) is true, but (R) is false
(d) (A) is false, but (R) is true

[Ans. (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)]

UNIT

V SOCIAL RESPONSIBILITY OF
BUSINESS AND BUSINESS ETHICS

CHAPTER

17

SOCIAL RESPONSIBILITY OF
BUSINESS

CHAPTER SNAPSHOT

- 17.01 Concept of Social Responsibility
- 17.02 Need for Social Responsibility
- 17.03 Arguments For and Against Social Responsibility
- 17.04 Kinds of Social Responsibility
- 17.05 Social Responsibility towards Different Interest Groups

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. Which type of Responsibility gives the benefit to the society out of its profits earned? [BEQ]

- (a) Legal (b) Ethical
(c) Moral (d) Economic

[Ans. (c) Moral]

2. The Stakeholders of Socially Responsible business units are except

- (a) Share Holders (b) Employees
(c) Government (d) Company

[Ans. (d) Company]

3. Assuming Social Responsibility of business helps the enterprise in [BEQ]

- (a) Increase profit (b) Decrease profit
(c) Sustainability (d) Equilibrium

[Ans. (c) Sustainability]

4. Socially Responsible business provides goods at [Govt. MQP-2019; June-2019]

- (a) high price (b) low price
(c) reasonable price (d) moderate price

[Ans. (c) reasonable price]

II. VERY SHORT ANSWER QUESTIONS**2 MARKS**

1. Identify the kind of Social Responsibility in the following cases. [BEQ]

- (i) Contribution to earthquake victims
- (ii) Produce goods and to sell them at a profit.
- (iii) Business Enterprise should follow rules and regulations.
- (iv) Respecting the religions sentiments of all groups while promoting a Product.

Ans. (i) Discretionary Responsibility
 (ii) Economic Responsibility
 (iii) Legal Responsibility
 (iv) Ethical Responsibility

2. What is the difference between Legal Responsibility and Social Responsibility?

Ans. Legal Responsibility is the obligation of business to comply with the requirement of law whereas Social Responsibility is the obligation of business to see the best interest of the society.

III. SHORT ANSWER QUESTIONS 3 MARKS

1. Business has various social responsibilities towards different interested groups. Identify the relevant group in the following cases. [BEQ]

- (i) Business should provide fair return on their Capital Investment.
- (ii) Business Enterprises must pay taxes Regularly and Honestly.
- (iii) Business should supply good quality of goods at reasonable prices.
- (iv) There should be proper and sale working conditions.

Ans. (i) Shareholders
 (ii) Government
 (iii) Consumers
 (iv) Workers

HOTS**I. VERY SHORT ANSWER QUESTIONS****2 MARKS**

1. In addition to earning profits a businessman has to fulfil certain social obligations also. list them.

Ans. The social obligations required to be fulfilled by a businessman are

- (i) Keep customers satisfied.
- (ii) Keep employees happy.
- (iii) Maintain law and order.
- (iv) Uphold the trust of investors.

II. SHORT ANSWER QUESTIONS 3 MARKS

1. Dinesh is working in CSR Department and his work is to convince businessmen to conduct fair practices. In context to this, list two arguments that he can give to convince businessmen.

Ans. The two arguments to convince a businessman for undertaking social responsibility are

- (i) Social responsibility should be adopted if you want to expand your business.
- (ii) No business can operate in isolation from society. Therefore, fair practices should be adopted to cultivate a good image in the eyes of public.

2. Sarathy is a consumer. List certain responsibilities that he will expect from a businessman.

Ans. Certain responsibilities that sarathy will expect from a businessman are

- (i) To supply useful products at reasonable price.
- (ii) To ensure regular and adequate supply of products of necessities.
- (iii) To provide goods of standard quality.
- (iv) To provide prompt and courteous services.
- (v) To handle consumer's complaint and grievances quickly.
- (vi) To avoid unfair trade practices.



CHAPTER

18

BUSINESS ETHICS AND
CORPORATE GOVERNANCE

CHAPTER SNAPSHOT

- 18.01 Concept of Business Ethics
- 18.02 Key Elements of Business Ethics
- 18.03 Code of Business Ethics
- 18.04 Corporate Governance
- 18.05 International Benchmarking

EXERCISE

I. CHOOSE THE CORRECT ANSWER.

1. Which of the following helps in maximising sale of goods to society?
 - (a) Business success
 - (b) Laws and regulations
 - (c) Ethics
 - (d) Professional management

[Ans. (c) Ethics]
2. Ethics is important for
 - (a) Top management [BEQ] [Govt. MQP-2019; Mar. 19]
 - (b) Middle level managers
 - (c) Non-managerial employees
 - (d) All of them

[Ans. (d) All of them]
3. Which of the following does not ensure effective ethical practices in a business enterprise?
 - (a) Publication of a code
 - (b) Involvement of employees
 - (c) Establishment of compliance mechanisms
 - (d) None of them

[Ans. (a) Publication of a code]

4. The role of top management is to guide the entire organisation towards [BEQ] [HY-2018]

- (a) General Behaviour
- (b) Organisation behaviour
- (c) Ethically upright behaviour
- (d) Individual behaviour

[Ans. (c) Ethically upright behaviour]

5. The ethical conduct of employees leading to standard practices results in

- (a) good behaviour
- (b) bad behaviour
- (c) ethical behaviour
- (d) correct decision making

[Ans. (d) correct decision making]

II. VERY SHORT ANSWER QUESTIONS.

1. What is ethics? [BEQ] [Govt. MQP-2019; June-2019]

Ans. (i) Business ethics may be defined as a set of moral standards to be followed by owners, managers and business people.

- (ii) These standards determine the conduct and behavior of business people.

6. Funds required for purchasing current assets is an example for

- (a) Fixed Capital Requirement
- (b) Ploughing Back of Profits
- (c) Working Capital Requirement
- (d) Lease Financing

[Ans. (c) Working Capital Requirement]

7. Which of the following holder is given voting right?

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

[Ans. (c) Equity shares]

8. It may be wise to finance fixed assets through _____. **[BEQ]**

- (a) Creditors
- (b) Long term debts
- (c) Bank Overdraft
- (d) Bills Discounting

[Ans. (b) Long term debts]

II. VERY SHORT ANSWER QUESTIONS.

1. Write a short notes on debentures.

Ans. (i) Debentures are an important instrument for **raising long term debt capital**. A company can raise funds through issue of debentures which bear a fixed rate of interest.

(ii) The individual or a person subscribing to debenture is called debenture holder.

2. What do you mean by public deposits?

[BEQ] [HY-2018]

Ans. (i) Public deposits are the deposits raised organisations directly from the public. Under this method, companies invite public deposits by giving advertisement in the media.

(ii) It offers deposit schemes for a **longer tenure**. The interest rates offered by companies on public deposits are relatively higher than the bank.

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

Ans. 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, etc.

4. Name any two internal sources of business finance.

Ans. This includes all those sources generated from within the business enterprises. For instance, retained earnings, collection from receivables (trade debtors and bills receivable) surplus from disposal of old Assets and so on.

5. State any two factors that affect the choice of source of finance. **[BEQ]**

Ans. 1. Cost :

Business enterprises have to analyse the cost of mobilising and utilizing the funds. For

instance where the interest rate is relatively lower, public deposits, debentures, term loan etc. may be desirable options.

2. Financial Capacity of the Firm :

Financially sound enterprises have capacity to pay interest promptly and return the capital at the stipulated time. Such enterprises can go for borrowed source.

III. SHORT ANSWER QUESTIONS.

1. Define Business Finance.

[BEQ] [HY-2019]

Ans. According to R.C. Osborn, "The finance function is the process of acquiring and utilising funds by a business"

(Or)

According to B.O. Wheeler, "Finance is that business activity which is concerned with the acquisition and conservation of Capital Fund in meeting the financial needs and overall objectives of business enterprises"

2. What is pledge?

[Govt. MQP-2019]

Ans. (i) A customer transfers the possession of an article with the creditor (banker) and receives loan. When the loans are against the **security of the borrower**, it is called pledge.

(ii) 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 pledged and adjust the outstanding loan from the sale proceeds.

Example : Jewel loan.

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

Ans. (i) Sources of Short-term Finances :

There are a number of sources of short-term finance. The important among them are : Loans and advances, Bank overdraft, Discounting Bills of Exchange, Trade credit, Bank credit or Bank loan, Short-term public deposits, instalment credit, etc.

(ii) Sources of Long term Finance :

There are many sources of long-term Finance. They are equity shares, preference shares, ploughing back of profits, or re-investment of profits, debentures, long term loans from Financial institutions and banks, long term public deposits instalment credit, lease financing, etc.

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

Ans. Fixed Capital is required for the following purposes:

(i) For the acquisition of Fixed Assets such as land, buildings, plant and machinery, motor vehicles, furniture and fixtures, etc.

(ii) For the acquisition of Intangible Assets, such as goodwill, patents, trade marks, and copy rights, etc.

CHAPTER

20

INTERNATIONAL FINANCE

CHAPTER SNAPSHOT

20.01 Introduction

20.02 Foreign Direct Investment and Institutional Investors

20.03 International Capital Market

20.04 Global Depositary Receipt (GDR)

20.05 American Depositary Receipt (ADR)

20.06 Foreign Currency Convertible Bonds (FCCB)

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. An instrument representing ownership interest in securities of a foreign issuer is called _____.

- (a) an ownership certificate
- (b) a depositary receipt
- (c) an ownership receipt
- (d) None of the above

[Ans. (b) a depositary receipt]

2. Issuance of DRs is based on the increase of demand in the _____ [BEQ]

- (a) International market
- (b) Local market
- (c) Existing shareholders
- (d) All of the above

[Ans. (a) International market]

3. ADRs are issued in _____ [HY-2018; June-2019]

- (a) Canada
- (b) China
- (c) India
- (d) The USA

[Ans. (d) The USA]

4. Depositary receipts that are traded in an International market other than the United states are called _____ [BEQ]

- (a) Global depositary Receipts
- (b) International Depositary Receipts
- (c) Open market depositary Receipts
- (d) Special Drawing Rights.

[Ans. (a) Global depositary Receipts]

5. _____ bond is a special type of bond issued in the currency other than the home currency. [Mar. 19; HY-2019]

- (a) Government Bonds
- (b) Foreign Currency Convertible Bond
- (c) Corporate Bonds
- (d) Investment Bonds

[Ans. (b) Foreign Currency Convertible Bond]

IV. LONG ANSWER QUESTIONS.**1. Describe the importance of international finance.**

Ans. International Finance plays a vital role in the international trade and in the sphere of exchange of goods and services among the nations.

The following points highlight the importance of international finance.

- (i) International finance helps in calculating exchange rates of various currencies of nations and the relative values of each and every nation in terms thereof.
- (ii) It helps in comparing the inflation rates and getting an idea about investing in international debt securities.

- (iii) It helps in ascertaining the economic status of the various countries and in judging the foreign market.
- (iv) International Financial Reporting System (IFRS), facilitates comparison of financial statements made by various countries.
- (v) It helps in understanding the basics of international organisations and maintaining the balance among them.
- (vi) International Finance organisations such as IMF, World Bank, etc. mediate and resolve financial disputes among different nations.

2. Distinguish between GDR and ADR.

[BEQ] [June-2019]

Ans.

Sl. No.	Basis for comparison	GDR (Global Depository Receipts)	ADR (American Depository Receipts)
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 more markets simultaneously.	It is issued only to investors, who are residents of the US
3.	Listed in	It is listed in Non-US stock exchange such as London stock Exchange or Luxemburg Stock Exchange.	It is listed in American Stock Exchange.
4.	Approval	GDR issues does not require foreign regulatory clearances.	ADR issues require approval from Securities Exchange commission (SEC) of USA.
5.	Mode of Expression	GDRs are normally co-related to equity shares of the issuing company expressed in whole numbers.	In many cases ADRs co-related to equity shares of the company are expressed as a fraction.
6.	Negotiation	All over the world	In America only.

3. State any five features of FCCB. [HY-2019]

Ans. Foreign Currency Convertible Bond (FCCB) is a special type of bond issued in the currency other than home currency. In other words, companies issue foreign currency convertible bonds to raise money in foreign currency.

Features of FCCB :

- (i) It is issued by Indian company in Foreign Currency.
- (ii) These are listed and traded in foreign stock exchange and similar to the debenture.
- (iii) It is a convertible debt instrument. It carries interest coupon. It is unsecured.
- (iv) It gives its holders the right to convert for a fixed number of shares at a predetermined price.

- (v) It can be converted into equity or Depository receipt after certain period.
- (vi) The amount received from the issue of FCCB should be utilised as per the guidelines of External Commercial Borrowings (ECB).

4. Explain any five advantages of FDI. [BEQ]

Ans. (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.

CHAPTER

21

MICRO, SMALL AND MEDIUM ENTERPRISES
(MSMEs) AND SELF HELP GROUPS (SHGs)

CHAPTER SNAPSHOT

- 21.01 Micro, Small and Medium Enterprises
- 21.02 Role and Significance of MSMEs
- 21.03 Contribution of MSMEs to Indian Economy
- 21.04 MSME Sector in Tamil Nadu
- 21.05 Self Help Groups

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. MSME Act was enacted in the year [Mar. 19]
(a) 2004 (b) 2007 (c) 2006 (d) 2008
[Ans. (c) 2006]
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
[Ans. (d) all the above]
3. Self help groups convert the savings into a common fund known as [HY-2018]
(a) Common fund (b) Groups corpus fund
(c) Group fund (d) None of the above
[Ans. (b) Groups corpus fund]

4. There are _____ distinct modes of Credit to Self Help Groups. [BEQ] [HY-2019]
(a) 1 (b) 2 (c) 3 (d) 4
[Ans. (c) 3]

5. Investment Limit of a Micro Enterprise under manufacturing sector does not exceed _____ lakhs. [BEQ] [Govt. MQP-2019; June-2019]
(a) 10 (b) 20 (c) 25 (d) 50
[Ans. (c) 25]

II. VERY SHORT ANSWER QUESTIONS

1. What do you understand by the manufacturing enterprises?

- Ans. (i)** 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.
- (ii)** The manufacturing enterprises are defined in terms of investment in plant and machinery.

UNIT

VII

TRADE

CHAPTER

22

TYPES OF TRADE

CHAPTER SNAPSHOT

22.01 Trade - Meaning

22.02 Features of Internal Trade

22.03 Foreign Trade - Meaning

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. The purchase of goods from a foreign country is called _____. [BEQ] [June-2019]

- (a) Import (b) Export
(c) Entrepot (d) Re-export

[Ans. (a) Import]

2. When goods are imported for the purpose of export it is called as _____. [BEQ]

- (a) Foreign Trade (b) Home Trade
(c) Entrepot (d) Trade

[Ans. (c) Entrepot]

3. _____ acts as a connective link between the producer and the consumer. [BEQ]

- (a) Trade (b) Industry
(c) Commerce (d) Business

[Ans. (a) Trade]

4. The aim of home trade is _____. [BEQ]

- (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

[Ans. (b) To provide the essential goods and services economically]

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

[Ans. (c) (A) is true, but (R) is false]

- 2. Assertion (A) : One of the famous Indian women entrepreneurs is Indra Nooyi.**

Reason (R) : She was product manager at Johnson & Johnson and then textile firm Metturbear.

Select the correct answer.

- (a) Both (A) and (R) are true and (R) is the correct explanation of (A)
- (b) Both (A) and (R) are true and (R) is not the correct explanation of (A)
- (c) (A) is true, but (R) is false
- (d) (A) is false, but (R) is true

[Ans. (a) Both (A) and (R) are true and (R) is the correct explanation of (A)]

(vi) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:

1. (a) Export trade means the sale of domestic goods to foreign countries.
- (b) Import trade means buying goods from a foreign country for domestic use.
- (c) Retail trade deals with the distribution of goods in small quantities to the consumers.
- (d) Trade can be classified into five.

[Ans. (d) Trade can be classified into five.]

II. VERY SHORT ANSWER QUESTIONS 2 MARKS

1. What do you mean by foreign trade?

Ans. Foreign trade is a trade between a seller and buyer of different countries. It involves the exchange of goods and services of one country with another country.

III. SHORT ANSWER QUESTIONS 3 MARKS

1. Any 3 features of Internal trade?

Ans. The following are the features of internal trade

- (a) The buying and selling of goods takes place within the boundaries of the same country.
- (b) Payment for goods and services is made in the currency of the home country.
- (c) It involves transactions between the producers, consumers and the middlemen.

2. How can you say that wholesale and retail trade are the part of internal trade?

- Ans. (i)** Most of the producers are not in a position to sell their goods directly to the consumers.
- (ii)** A chain is required which acts as a connecting link between producer and consumers that directs the flow of goods from centres of production to centres of consumption.
- (iii)** In this context, wholesalers purchase goods from the producers and sell them to retailers and retailers sell the goods to the consumers.
- (iv)** In this way, wholesale trade and retail trade become the part of internal trade.

IV. LONG ANSWER QUESTIONS 5 MARKS

1. What is Internal Trade? What are its Types? Explain. [BEQ]

Ans. Internal Trade is the Buying and Selling of goods and Services within the boundaries of a nation. It is also known as Home trade / Inland trade / Domestic trade.

Types of Internal Trade :

The Internal trade may be divided into two types :

(i) Wholesale trade

(ii) Retail trade

(i) Wholesale trade :

(1) Wholesale trade refers to Buying and Selling of goods and services in large quantities for the purpose of resale. The trader who deal in wholesale trade are known as Wholesale traders.

(2) Wholesaler buy the goods directly from the manufacturers in bulk and sell them in relatively smaller quantities to the larger number of retailers.

(3) Therefore, they serve as an important link between manufacturers and retailers.

(ii) Retail Trade :

Retail trade refers to buying of goods and services in relatively small quantities from wholesaler and selling them to the ultimate consumers. The traders who deal in retail trade are known as retailers.



CHAPTER

23

CHANNELS OF DISTRIBUTION

CHAPTER SNAPSHOT

- 23.01 Channels of Distribution - Meaning
- 23.02 Types of Channel of Distribution
- 23.03 Factors Influencing Channel of Distribution
- 23.04 Middlemen
- 23.05 Kinds of Mercantile Agents or Agent Middlemen
- 23.06 Wholesaler
- 23.07 Characteristics of Wholesalers
- 23.08 Retail Trade - Meaning
- 23.09 Characteristics of Retailers
- 23.10 Distinction between Wholesaler and Retailer

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. Trade middlemen who acts as a link between wholesaler and customers refers to a _____.

- (a) Producer
- (b) Broker
- (c) Retailer
- (d) Customer

[Ans. (c) Retailer]

2. Who is the First middlemen in the channel of distribution?

- (a) Wholesaler
- (b) Producer
- (c) Retailer
- (d) Customer

[Ans. (a) Wholesaler]

3. _____ buy the goods from the producer and sell it to the retailers. [BEQ]

- (a) Manufacturer
- (b) Wholesaler
- (c) Retailer
- (d) Consumers

[Ans. (b) Wholesaler]

4. _____ are agents who merely bring the buyer and the seller into contact. [Govt. MQP-2019]

- (a) Broker
- (b) Commission agent
- (c) Selling agent
- (d) Stockists

[Ans. (a) Broker]

5. Merchant middlemen can be classified into _____ categories. [BEQ] [HY-2018]

- (a) Three
- (b) Two
- (c) Five
- (d) Four

[Ans. (b) Two]

II. VERY SHORT ANSWER QUESTIONS**2 MARKS**

1. Name the different types of Channel of distribution.

- Ans. (i)** Channels based on middlemen
(ii) Channels based on the type of goods and services.
(iii) Channels based on national and international markets.

2. The management of Car manufacturing company seeks your advice as to which channel of distribution to be adopted? Give reasons.

- Ans. (i)** A Car manufacturing company are sold through authorised dealers only. Authorised dealers use the brand name the manufacturer and deals with only one producer only.
(ii) To retain the control over the relationship with consumers, the manufacturers appoints authorised dealers.

3. Write any three differences between Brokers and Factors. [BEQ]

Ans.

S. No.	Brokers	Factors
1.	Brokers does not take the possession of goods.	Factors take possession of goods.

2.	Cannot receive payments.	Right to receive payments.
3.	Remuneration is called brokerage.	Remuneration is called commission.

III. SHORT ANSWER QUESTIONS**3 MARKS**

1. Explain the working of Auctioneers.

- Ans. (i)** Auctioneers are agents who sell goods by auction on behalf of their principals. Auction sale is made through a notification to the public.
(ii) The notice clearly mentioned the date, time, place and details of goods which will be widely published through newspapers, posters, leaflets and announcements, etc.
(iii) Auction sale may be “with reserve” and “without reserve”. In case of auction “with reserve” no sale can take place below the minimum price fixed by the seller, which is known as “reserve price”.
(iv) In case of auction “without reserve” the auctioneer is bound to sell the product to the highest bidder. The price for which the bid is accepted is called “knocked down price”.
(v) For his services, the auctioneer is entitled to receive a commission, which is a certain percentage of the sale proceeds.

IV. LONG ANSWER QUESTIONS**5 MARKS**

1. What are the different between wholesaler and Retailer. [BEQ]

Ans.

Sl. No.	Basis	Wholesaler	Retailer
1.	Link	Wholesaler is a link between manufacturer and retailer.	Retailer is a link between the wholesaler and the ultimate consumer.
2.	Scale of Operations	A wholesaler carries on business on a large scale and requires huge capital	A retailer generally carries on business on a small scale and requires small capital.
3.	Range of goods	A wholesaler deals with only one product.	A retailer deals with variety of goods.
4.	Dealings	Goods sold on Credit basis.	Goods sold on Cash basis.
5.	Source of Supply	A wholesales purchases goods from manufacturer	A retailer buys goods from the wholesaler.
6.	Purpose of Selling	A wholesaler sells goods for resale purpose.	A retailer sells goods for consumption or use.
7.	Location	He operates his business in big commercial cities.	He operates even in a small village.



- (ii) **For Example :** Flip kart, Amazon, Snap deal, etc. The customers compare the products of competitors by observing such advertisements and select the product through internet and make the payment through online or cash on delivery.
- (iii) Because of absence of middlemen, showroom expenses, etc. products are available at cheaper price in comparison to local market.

IV. LONG ANSWER QUESTIONS 5 MARKS

1. Explain the types of Small Fixed Shop Retailers.

Ans. (i) Street Stalls :

- (1) These small shop-keepers are commonly found at street crossings or other busy street corners to attract floating customers and deal in cheap variety of goods like hosiery products, toys, soft drinks, etc.
- (2) They set their supplies from local suppliers and wholesalers.

(ii) General Stores :

- (1) General Stores sell a wide variety of products under one roof, most commonly found in a local market and residential areas to satisfy the day-to-day needs of the customer residing in nearby localities.
- (2) They remain open for long hours at convenient timings and often 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.

(iii) Single-line stores :

- (1) Single-line stores are small shops which deal in a particular line of products such as garments, stationery, textiles, medicines, shoes, etc.
- (2) They are generally situated in market places and deal in a variety of goods in that line of product.

(iv) Speciality stores :

- (1) Speciality stores deal in a particular type of product under one product line only.
- (2) **For Example :** sweet shops specialised in Tirunelveli Halwa, Bengali Sweets, etc.

(v) Seconds' Shops :

These shops deal with second hand goods or used articles in a low price such as books, furniture, utensils, clothes, automobiles, etc. and also new defective goods.

2. Explain the types of Itinerant Traders.

Ans. (i) Peddlers and Hawkers :

- (1) Peddlers are individuals who sell their goods by carrying on their head or shoulders moving from place to place on foot.
- (2) Hawkers are petty retailers who sell their goods at various places such as bus stop, railway station, public park and gardens, residential areas and other Public places using a convenient vehicle to carry goods from place to place.

(ii) Street Vendors :

The traders sit on the foot path of the road or at the end of the road (pavement) and sell their goods such as fruits, vegetables, books, etc. are called Street vendors.

(iii) Market Traders :

- (1) Small traders open their shops at different places on fixed days or dates such as every Sunday or alternative Wednesday and so on.
- (2) They deal in one particular line of merchandise and in low priced consumer items of daily use.

Examples : Pollachi, Manapparai, Ranipet, etc.

(iv) Cheap Jacks :

- (1) Those retailers who have independent shops of temporary nature in a business locality are depending upon the potentiality of the area.
- (2) They deal in consumer goods and services such as shoes, and chappals, plastic items, repair of watches, etc.

3. Explain the advantages of Departmental Stores.

Ans. (i) Convenience in buying : [BEQ]

- (1) The departmental stores provide great convenience to all the members in a family in buying almost all goods of their requirements at one place.
- (2) A large variety of goods available in all the departments enable customers to save time and no need to run from one place to another to complete their shopping.

(ii) Attractive Service :

It aims at providing maximum services and facilities to the customers such as home delivery of goods, execution of telephone orders, rest rooms, restaurants, salons, children game centres, etc.

6. How does international business help to rise standard of living of a nation?

- Ans. (i)** On account of international business, the citizens of the country can buy more varieties of goods and services which cannot be produced cost effectively within the home country.
- (ii)** This exchange of goods and services among the countries enhances higher standard of living of people.

7. What is Franchising?

Ans. Franchising is a contractual agreement which involves grant of rights by one party to another for use of technology, trade mark and patterns in return of the agreed payment for a certain period of time.

III. SHORT ANSWER QUESTIONS 3 MARKS

1. What are the features of Entrepot Trade?

Ans. The following are the special feature of Entrepot Trade.

- (i)** Import duty is not levied on such goods
- (ii)** These goods are reprocessed and repacked for re-export.
- (iii)** Such goods are kept in the Bonded warehouse till they are re-exported.

2. How does international trade helps for specialisation?

- Ans. (i)** Certain countries or some geographical areas of a certain country specialise in the production of goods and services due to some natural advantages like abundant availability of skilled labour, favourable climatic conditions, availability of natural resources, technical known-how, etc.
- (ii) For Example:** In India, Coimbatore specialises in cotton textiles and producing textiles and machinery. Tripur specialises in manufacturing hosiery products. This specialisation paves the way for large scale production of specialised items.

3. How does international business helps for international peace?

- Ans. (i)** International business makes countries across the world become inter dependent while they are independent in their functioning.
- (ii)** This facilitates the exchange of culture ideas, and mutual understanding. It develops and strengthening cultural and social relations among the people of different countries. All these collectively contribute to maintain internal peace.

IV. LONG ANSWER QUESTIONS 5 MARKS

1. What are the methods of conducting international business?

Ans. (i) Exporting and Importing :

- (1)** Exporting denotes selling of goods and services from the home country to a foreign country.
- (2)** Similarly, importing refers to purchasing of products from foreign country and bringing them into home country.

(ii) Contract of Manufacturing or outsourcing :

- (1)** It connotes a type of international business where a firm enters into a contract with one or few local manufacturers in foreign countries in order to get certain components of goods produced according to its specifications.
- (2)** It is also called as outsourcing or contract manufacturing.

(iii) Licensing and Franchising :

- (1)** Licensing is a contractual agreement wherein one firm grants access to its plants, trade secrets or technology to another firm in a foreign country, for a fee called royalty.
- (2) Eg. :** McDonald, Pisa Hut, etc. The firm which grants such permission is called Licensor or Franchisor and other firm to whom the license is granted is called Licensee or Franchisee.

(iv) Joint-Venture :

A Joint-Venture is a business agreement wherein parties agree to develop a new entity and assets subscribing to equity shares and thereby exercising control over enterprise and consequently sharing revenues, expenses, and the assets. It can be established under three different ways.

- (1)** Foreign Investors buying an interest in local company.
- (2)** Local firm acquiring an interest in the existing foreign firm.
- (3)** Both the foreign and local firms jointly forming a new enterprise.

CHAPTER

26

EXPORT AND IMPORT
PROCEDURES

CHAPTER SNAPSHOT

26.01 Export Trade

26.02 Import Trade

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. EPC stands for [BEQ] [HY-2018]

- (a) Export Processing Commission
- (b) Export Promotion Council
- (c) Export Carriage Council
- (d) Export Promotion Congress

[Ans. (b) Export Promotion Council]

2. STC is expansion for [BEQ]

- (a) State Training Centre
- (b) State Training Council
- (c) State Trading Centre
- (d) State Trading Corporation

[Ans. (d) State Trading Corporation]

3. An _____ is document prepared by importer and sent to the exporter to buy the goods.

- (a) Invoice
- (b) Indent
- (c) Enquiry
- (d) Charter party

[Ans. (b) Indent]

4. The _____ receipt is an acknowledgement of receipt of goods on the ship issued by the Captain

- (a) Shipping Bill
- (b) Bill of Lading
- (c) Mate's Receipt
- (d) Consular Invoice

[Ans. (b) Bill of Lading]

5. The Exporters appoint the _____ agent to fulfill the customs formalities. [BEQ]

- (a) Clearing Agent
- (b) Forwarding Agent
- (c) Commission Agent
- (d) Factor

[Ans. (b) Forwarding Agent]

II. VERY SHORT ANSWER QUESTIONS

1. What is meant by Indent?

[HY-2018; Mar. 19; June-2019]

Ans. (i) An indent is an order placed by an importer with an exporter for the supply of certain goods.

(ii) It contains full details regarding the goods to be imported, the terms and conditions regarding price, shipment, delivery, the method of payment etc.

CHAPTER

27

FACILITATORS OF INTERNATIONAL BUSINESS

CHAPTER SNAPSHOT

- 27.01 World Trade Organisation (WTO)
- 27.02 World Bank
- 27.03 International Monetary Fund (IMF)
- 27.04 South Asian Association for Regional Co-Operation (SAARC)

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. General Agreement on Tariff and Trade was signed on [BEQ]

- (a) 30-October-1947 (b) 29-October-1947
- (c) 28-October-1947 (d) 26-October-1947

[Ans. (a) 30-October-1947]

2. WTO was established on [HY-2019]

- (a) 1-1-1996 (b) 1-1-1997
- (c) 1-1-1995 (d) 1-1-1994

[Ans. (c) 1-1-1995]

3. The headquarter of WTO is located at

[BEQ] [HY-2018]

- (a) New york (b) London
- (c) Geneva (d) Brazil

[Ans. (c) Geneva]

4. The day to day administration of WTO is entrusted with

- (a) Executive Council
- (b) General Council
- (c) Administrative Council
- (d) General Body

[Ans. (b) General Council]

5. World bank is located at [BEQ] [Govt. MQP-2019]

- (a) Washington DC (b) New York
- (c) Tokyo (d) HongKong

[Ans. (a) Washington DC]

II. VERY SHORT ANSWER QUESTIONS

1. What is WTO? [BEQ]

Ans. (i) The world Trade organisation is shortly called as WTO. It was established on 1st January, 1995.

GOVERNMENT EXAM QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) CHOOSE THE CORRECT OPTION.

1. WTO meets almost once in every ____ years.

- (a) Five (b) Two (c) Four (d) Three

[Mar. 19]

[Ans. (d) Three]

ADDITIONAL QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) CHOOSE THE CORRECT OPTION.

1. TRIPs is one of the WTO agreement that deals with

[BEQ]

- (a) Trade in agriculture
(b) Trade in services
(c) Trade related investment measures
(d) Trade related intellectual properties

[Ans. (d) Trade related intellectual properties]

2. Which one of the following is not the objective of IMF.

- (a) Promoting international monetary Co-operation
(b) Ensuring balanced international trade
(c) Ensuring exchange rate stability
(d) Providing long term capital to member countries for reconstruction

[Ans. (d) Providing long term capital to member countries for reconstruction]

(ii) MATCH LIST I WITH LIST II AND SELECT THE CORRECT ANSWER USING THE CODES GIVEN BELOW.

	List I		List II
1.	(i) GATT	(1)	27 th December 1945
	(ii) WTO	(2)	1956
	(iii) IMF	(3)	1 st January 1995
	(iv) IFC	(4)	30 th October 1947

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	1	2
(c)	2	3	4	1
(d)	3	4	2	1

[Ans. (b) (i) - 4, (ii) - 3, (iii) - 1, (iv) - 2]

2.

[BEQ]

	List I		List II
(i)	GATT	(1)	1985
(ii)	WTO	(2)	1945
(iii)	IMF	(3)	1995
(iv)	SAARC	(4)	1947

Codes:

	(i)	(ii)	(iii)	(iv)
(a)	1	2	3	4
(b)	4	3	2	1
(c)	1	2	4	3
(d)	2	1	3	4

[Ans. (b) (i) - 4, (ii) - 3, (iii) - 2, (iv) - 1]

(iii) CHOOSE THE CORRECT OPTION AND FILL IN THE BLANKS.

1. IMF was established in the year _____

- (a) 1947 (b) 1945 (c) 1956 (d) 1997

[Ans. (b) 1945]

2. IBRD was set up in _____

- (a) 1944 (b) 1954 (c) 1964 (d) 1974

[Ans. (a) 1944]

3. WTO is the only organisations dealing with the _____

- (a) Global trade rules (b) Home trade rules
(c) Entrepot trade rules (d) Import trade rules

[Ans. (a) Global trade rules]

II. VERY SHORT ANSWER QUESTIONS

1. What do you mean by Balance of Payments?

Ans. 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?

Ans. (i) Balance of Trade denotes the difference between the value of import and the value of export during the year.

(ii) If the export of a country exceeds its imports, it shows favourable balance of trade.

3. Define Balance of Payments. [BEQ]

Ans. According to International Monetary Fund "The balance of payments for given period is a systematic record of all economic transactions taken place during the period between residents of the reporting countries".

4. What is the composition of private capital?

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

5. Mention the components of banking capital.

Ans. Banking Capital includes movement into external financial asset and liabilities, commercial and co-operative banks, authorised to dealing in foreign exchange.

6. Mention the components of official capital.

Ans. It includes RBI holdings of foreign currency and special drawing rights held by Government.

III. SHORT ANSWER QUESTIONS

1. Why is Balance of Payment prepared?

Ans. (i) Balance of Payment is the principal tool for analysing the monetary position of international trade of a country just like Receipts and Payments account of enterprise revealing the net effect of cash movements happening in an enterprise during a particular period.

(ii) Balance of Payments help in framing monetary, fiscal and trade policies of a country.

(iii) Government keenly observes balance of payment position of its important trade partners in making policy decisions.

(iv) 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?

Ans. (i) A Balance of Payment surplus indicates that country's exports are more than its imports and its government and residents are savers.

(ii) The country can even lend to other countries which in turn buy its products.

(iii) As a result, it boosts the economic growth in the short term. The country achieves higher economic growth due to higher exports in the long run.

(iv) A Balance of Payment deficit points to the fact that country's import is more than the export.

(v) This situations forces the country to borrow from other countries to pay for its imports. It creates economic development in the short term.

3. What are the credit items shown in current accounts?

Ans. The following are the Credit items of Current Account :

- (i) Goods Export (Visible)**
- (ii) Invisible Exports.**

These include :

- (1)** Transport services sold abroad
- (2)** Banking services sold abroad
- (3)** Insurance services sold abroad
- (4)** Income received on loan and investment made in foreign countries.
- (5)** Expenses incurred by foreign tourists in India.

4. State the components of capital account.

[BEQ] [HY-2019]

Ans. The Capital Account consists of three components :

- (i)** Private Capital
- (ii)** Banking Capital
- (iii)** Official Capital

UNIT IX

THE INDIAN CONTRACT ACT

CHAPTER

29

ELEMENTS OF CONTRACT

CHAPTER SNAPSHOT

29.01 Meaning and Definition

29.02 Essentials of a Valid Contract

29.03 Classification of Contract

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. An Agreement enforceable by law is a

- (a) Enforceable acceptance [BEQ] [HY-2019]
- (b) Accepted offer
- (c) Approved promise
- (d) Contract [Ans. (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
- [Ans. (a) Agreement]

3. Void agreement signifies [BEQ]

- (a) Agreement illegal in nature
 - (b) Agreement not enforceable by law
 - (c) Agreement violating legal procedure
 - (d) Agreement against public policy
- [Ans. (b) Agreement not enforceable by law]

CHAPTER

30

PERFORMANCE OF CONTRACT

CHAPTER SNAPSHOT

30.01 Introduction

30.02 Who will Perform the Contract?

30.03 Reciprocal Promises [Section 2(f)]

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. On the valid performance of the contractual obligations by the parties, the contract.

- (a) Is discharged (b) Become enforceable
(c) Becomes void (d) Becomes legal

[Ans. (a) Is discharged]

2. Which of the following persons can perform the contract? [BEQ]

- (a) Promisor alone
(b) Legal representatives of promisor
(c) Agent of the promisor
(d) All the above

[Ans. (d) All the above]

3. A, B, C jointly promised to pay Rs. 50,000 to D. Before performance of the contract, C dies. Here, the contract

- (a) Becomes void on C's death
(b) Should be performed by A and B along with C's legal representatives.
(c) Should be performed by A and B alone
(d) Should be renewed between A, B and D

[Ans. (b) Should be performed by A and B along with C's legal representatives.]

4. Which of these parties cannot demand performance of promise? [BEQ]

- (a) Promisee
(b) Any of the joint promisees
(c) On the death of a promisee, his legal representative
(d) Stranger to the contract

[Ans. (d) Stranger to the contract]

[210]

GOVERNMENT EXAM QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) CHOOSE THE CORRECT OPTION.

1. Exception to "stranger to a contract" is ____.

[Mar. 19]

- (a) Third Party (b) Promisee (c) Legal Representative (d) Agent

[Ans. (a) Third Party]

ADDITIONAL QUESTIONS & ANSWERS

I. CHOOSE THE CORRECT ANSWER

1 MARK

(i) CHOOSE THE CORRECT OPTION.

1. Offer to performance is also known as [BEQ]

- (a) Tender (b) Actual performance
(c) Promise (d) Agent

[Ans. (a) Tender]

2. A promise to paint a picture for B. This contract will be performed by

- (a) Agent
(b) Legal representative
(c) Promisor by himself
(d) Promisee by himself

[Ans. (c) Promisor by himself]

3. Promise which form consideration or part of consideration for each other are called as

- (a) Joint promise
(b) Reciprocal promise
(c) Devolution of Joint liabilities
(d) Devolution of Joint Rights

[Ans. (b) Reciprocal promise]

(ii) CHOOSE THE CORRECT OPTION AND FILL IN THE BLANKS.

1. When the two promises are said to be performed simultaneously, they are said to be ____

- (a) Mutual and Independent
(b) Mutual and dependent
(c) Mutual and concurrent
(d) Conditional and dependent

[Ans. (c) Mutual and concurrent]

2. A debtor owes several distinct debts to the same creditor and he has a right to instruct his creditor to which particular debts is to be adjusted is ____ [BEQ]

- (a) Application of payments where the debt to be discharged is indicated
(b) Application of payments where the debt to be discharged is not indicated
(c) Application of payment where neither party appropriates.
(d) None of these

[Ans. (a) Application of payments where the debt to be discharged is indicated]

(iii) POINT OUT THE WRONG STATEMENT IN THE FOLLOWING:

1. (a) When the party has done what he had undertaken to do, it is called actual performance
(b) Where the two promises are said to be performed simultaneously, they are said to be mutual and concurrent
(c) Promises which form consideration or part of consideration for each other are called 'reciprocal promise'
(d) When the party offers to perform his obligation, it is accepted by the promisee

[Ans. (d) When the party offers to perform his obligation, it is accepted by the promisee]

II. VERY SHORT ANSWER QUESTIONS

2 MARKS

1. What do you mean by offer to perform?

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

CHAPTER

31

DISCHARGE AND BREACH
OF A CONTRACT

CHAPTER SNAPSHOT

31.01 Discharge of Contract

31.02 Remedies for Breach of Contract

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. On the valid performance of the contractual obligation by the parties, the contract

- (a) Is discharged (b) Becomes enforceable
(c) Becomes void (d) None of these

[Ans. (a) Is discharged]

2. An Agreement to do an act impossible in itself under Section. 56 is [BEQ]

- (a) Void (b) Valid
(c) Voidable (d) Unenforceable

[Ans. (a) Void]

3. Any agreement which becomes impossible to perform under various circumstances

- (a) Voidable (b) Void
(c) Valid (d) None of these

[Ans. (b) Void]

4. Discharge by mutual agreement may involve

- (a) Novation (b) Rescission
(c) Alteration (d) All of the above

[Ans. (d) All of the above]

5. The compensation given for breach of contract is

[BEQ] [Govt. MQP-2019]

- (a) Damage (b) Remuneration
(c) Money (d) Cheque

[Ans. (a) Damage]

II. VERY SHORT ANSWER QUESTIONS

1. What are the kinds of consent?

Ans. The consent may be of two types :

- (i) Express Consent
(ii) Implied Consent

UNIT

X

DIRECT AND
INDIRECT TAXES

CHAPTER

32

DIRECT TAXES

CHAPTER SNAPSHOT

32.01 Meaning of Tax

32.02 Income Tax

EXERCISE

I. CHOOSE THE CORRECT ANSWER

1. Income Tax is [Mar. 19]

- (a) a business tax (b) a direct tax
(c) an indirect tax (d) none of these

[Ans. (b) a direct tax]

2. Period of assessment year is

[BEQ] [HY-2018; June-2019]

- (a) 1st April to 31st March
(b) 1st March to 28th Feb.
(c) 1st July to 30th June
(d) 1st Jan. to 31st Dec.

[Ans. (a) 1st April to 31st March]

3. The year in which income is earned is known as [Govt. MQP-2019]

- (a) Assessment year (b) Previous year
(c) Light year (d) Calendar year

[Ans. (b) Previous year]

4. The aggregate income under five heads is termed as [BEQ]

- (a) Gross Total Income (b) Total Income
(c) Salary Income (d) Business Income

[Ans. (b) Total Income]

5. Agricultural income earned in India is

- (a) Fully Taxable
(b) Fully Exempted
(c) Not considered for Income
(d) None of the above

[Ans. (b) Fully Exempted]

CHAPTER

33

INDIRECT TAXATION

CHAPTER SNAPSHOT

33.01 Meaning of Indirect Tax

33.02 Goods and Services Tax (GST) - Meaning

33.03 GST Council

EXERCISE

I. CHOOSE THE RIGHT ANSWER

1. Who is the chairman of the GST council?

- (a) RBI Governor (b) Finance Minister
(c) Prime Minister (d) President of India

[Ans. (b) Finance Minister]

2. GST stands for [BEQ] [June-2019]

- (a) Goods and Supply Tax
(b) Government Sales tax
(c) Goods and Services Tax
(d) General Sales Tax

[Ans. (c) Goods and Services Tax]

3. What kind of tax the GST is? [BEQ]

- (a) Direct Tax
(b) Indirect Tax
(c) Dependence on the Type of Goods and Services
(d) All Business Organisations

[Ans. (b) Indirect Tax]

4. What is IGST? [Govt. MQP-2019]

- (a) Integrated Goods and Service Tax
(b) Indian Goods and Service Tax
(c) Initial Goods and Service Tax
(d) All the Above

[Ans. (a) Integrated Goods and Service Tax]

5. In India GST became effective from?

[BEQ] [Mar. 19; HY-2019]

- (a) 1st April, 2017 (b) 1st January, 2017
(c) 1st July, 2017 (d) 1st March, 2017

[Ans. (c) 1st July, 2017]



COMMON QUARTERLY EXAMINATION - SEPTEMBER 2019

PART - III
COMMERCE

Register Number

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Time allowed : 2.30 hours]

[Maximum Marks: 90

- Instructions:** (1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall supervisor immediately.
(2) Use **Blue** or **Black** ink to write and underline and pencil to draw diagrams.

PART - I

- Note:** (1) Answer **all** the questions. (20 × 1 = 20)
(2) Choose the most appropriate answer from the given **four** alternatives and write the option code and the corresponding answer.

- | | |
|---|--|
| <p>1. Activities undertaken out of love and affection or with social service motive are termed as _____.
(a) Economic Activities
(b) Monetary Activities
(c) Non Economic Activities
(d) Financial Activities</p> <p>2. Normally high level risk involved in _____.
(a) Industry (b) Commerce
(c) Trade (d) All the above</p> <p>3. The place where the goods are sold is _____.
(a) Angadi (b) Market
(c) Nalangadi (d) Allangadi</p> <p>4. Occupation of a Doctor is _____.
(a) Employment (b) Business
(c) Profession (d) Sole proprietor</p> <p>5. In the firm of Hindu undivided family, how one gets the membership?
(a) By agreement (b) By birth
(c) By investing capital (d) By managing</p> <p>6. The partnership deed is also called as _____.
(a) Articles of Association
(b) Articles of Partnership
(c) Partnership Act
(d) Partnership</p> <p>7. The Relationship between outsiders and the company is defined in _____.
(a) Prospectus
(b) Articles of Association
(c) Memorandum of Association
(d) Certificate of incorporation</p> <p>8. All Co-operatives are established with _____.
(a) Philanthropic Motive
(b) Service motive
(c) Profit motive
(d) Reform motive</p> | <p>9. Dispersal of decision making power to branches / affiliates / subsidiaries by headoffice represents
(a) Centralisation
(b) Decentralisation
(c) Power
(d) Integration</p> <p>10. The primary objective of the state enterprises is to _____.
(a) Earn profit
(b) Provide Employment
(c) Serve the people
(d) All the above</p> <p>11. Foreign Banks are begun their operation since _____.
(a) 1979 (b) 1980
(c) 1981 (d) 1982</p> <p>12. Warehouses remove the hindrance of _____.
(a) Person (b) Time
(c) Risk (d) Knowledge</p> <p>13. The Largest commercial bank of India is _____.
(a) ICICI (b) SBI
(c) PNB (d) RBI</p> <p>14. Which is the fastest means of Transport?
(a) Rail (b) Road
(c) Sea (d) Air</p> <p>15. The basic principle of insurance is _____.
(a) Insurable Interest (b) Co-operation
(c) Subrogation
(d) Proximate cause</p> <p>16. The local area banks are promoting _____.
(a) Rural savings
(b) Business savings
(c) Industrial Development
(d) Agricultural Development</p> |
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11th STD.

Reg. No.

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Half Yearly Examination 2019 - 20**Part III - Commerce**

Time Allowed : 3.00 hrs

Maximum Marks : 90

Instructions :

- 1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor immediately.
- 2) Use **Blue** or **Black** ink to write and underline and pencil to draw diagrams

PART - I**Note :** (i) Answer all the questions.**[20 × 1 = 20]**

- (ii) Choose the most appropriate answer from the given **four** alternatives and write the option code and the corresponding answer.

1. In Pandiyas Dynasty, the place where the goods were sold is _____.
(a) Angadi (b) Market
(c) Nalagadi (d) Allangadi
2. The main benefit of Logistics is :
(a) Productivity
(b) Cost minimisation
(c) Profitability
(d) Storage
3. The primary objective of a business :
(a) Making profit
(b) Not making profit
(c) Special skill
(d) Employment
4. Normally high level risk is involved in :
(a) Industry (b) Commerce
(c) Trade (d) All the above
5. Debenture holders are entitled to a fixed rate of _____.
(a) Dividend (b) Profits
(c) Interest (d) Loss
6. _____ is a special type of bond issued in the currency other than the home country.
(a) Government Bond
(b) Foreign Currency Convertible Bond
(c) Corporate Bond
(d) Global Depository Receipt
7. There are _____ distinct modes of credit to Self Help Groups.
(a) 4 (b) 5 (c) 3 (d) 13
8. Which is the oldest form of Business Organisation?
(a) Sole proprietorship
(b) Partnership
(c) Co-operative Society
(d) Company
9. In the firm of Hindu Undivided Family, how does one get the membership?
(a) By agreement (b) By birth
(c) By investing capital (d) By managing
10. Companies established as a result of a charter granted by the King or Queen of a country is called _____.
(a) Chartered Companies
(b) Statutory Companies
(c) Registered Companies
(d) Foreign Companies
11. In which of the following form of organisation, Government provides tax Concession?
(a) Partnership
(b) Co-operative Society
(c) Joint Stock Company
(d) Multinationals
12. _____ clearing houses are owned by RBI.
(a) 14 (b) 840 (c) 6 (d) 60
13. The delivery order is to be accompanied by the _____.
(a) Warehouse Warrant
(b) Dock Warrant
(c) Dock Receipts
(d) Warehouse Receipts
14. Minimum how much amount can be transferred through RTGS?
(a) Any amount (b) 50,000
(c) 2 Lakh (d) 5 Lakh

11th
STD**PUBLIC EXAM QUESTION PAPER MARCH - 2020**
COMMERCE

Reg. No.

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TIME ALLOWED : 3.00 Hours]

PART - III (with Answer)

[MAXIMUM MARKS : 90

Instructions :

- 1) Check the question paper for fairness of printing. If there is any lack of fairness, inform the Hall Supervisor Immediately.
- 2) Use **Blue** or **Black** ink to write and underline and pencil to draw diagrams

PART - I

- Note :** (i) Answer all the questions. [20 × 1 = 20]
(ii) Choose the most appropriate answer from the given **four** alternatives and write the option code and the corresponding answer.

1. The main benefit of outsourcing is :
(a) Units (b) Productivity
(c) Cost reduction (d) Skill
2. Business refers to "Economic activities performed for earning profits" is said by :
(a) Wheeler (b) Sprigal
(c) James Stephenson (d) H.Haney
3. Activities undertaken out of love and affection or with social service motive are termed as :
(a) Financial Activities (b) Economic activities
(c) Monetary activities
(d) Non-Economic activities
4. Which of the following holder is given voting right?
(a) Bonds (b) Debentures
(c) Equity shares (d) Preference Shares
5. Micro, Small and Medium Enterprises Act was enacted in the year :
(a) 2008 (b) 2004 (c) 2007 (d) 2006
6. Goods imported for purpose of re-export to another country is termed as _____.
(a) International Trade (b) Import Trade
(c) Export Trade (d) Entrepot Trade
7. Who is the chairman of the GST council?
(a) President of India (b) RBI Governor
(c) Finance Minister (d) Prime Minister
8. The year in which income is earned is known as
(a) Calendar year (b) Assessment year
(c) Previous year (d) Light year
9. In which of the following forms of organisation, Government provides tax Concession?
(a) Multinationals (b) Partnership
(c) Co-operative Society (d) Joint Stock Company

10. Disadvantage of sole proprietorship :
(a) Small Capital (b) Easy Formation
(c) Flexibility (d) Unlimited Liability
11. Which of the following is created by a Special Act of Parliament or in State Assemblies?
(a) Statutory company (b) Chartered company
(c) Foreign company (d) Government company
12. At first, the Co-operative Movement was started by Robert Owen in the year :
(a) 1944 (b) 1804 (c) 1844 (d) 1840
13. The share capital of the Government Company must not be less than :
(a) 60% (b) 75% (c) 95% (d) 51%
14. _____ buys the goods from the producer and sells it to the retailers.
(a) Consumers (b) Manufacturer
(c) Wholesaler (d) Retailer
15. The Central Bank of India is
(a) ICICI (b) PNB (c) SBI (d) RBI
16. An Agreement enforceable by law is a
(a) Accepted offer (b) Enforceable acceptance
(c) Contract (d) Approved promise
17. Merchant middlemen can be classified into _____ categories.
(a) Four (b) Three (c) Two (d) Five
18. Which of the following helps in maximising sale of goods to society?
(a) Professional management
(b) Business success (c) Laws and regulations
(d) Ethics
19. Match the following :
(1) Itinerant Traders (i) General stores
(2) Fixed shop small retailers (ii) Micromax informatics
(3) Fixed shop large retailers (iii) Street traders
(4) Multinational Company (iv) Chain stores
(a) (1)-(ii), (2)-(iii), (3)-(iv), (4)-(i)
(b) (1)-(iv), (2)-(iii), (3)-(i), (4)-(ii)
(c) (1)-(iii), (2)-(i), (3)-(iv), (4)-(ii)
(d) (1)-(iii), (2)-(iv), (3)-(i), (4)-(ii)

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