

COMMERCE - 11-STD**Contents**

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UNIT I FUNDAMENTALS OF BUSINESS

CHAPTER 1 HISTORICAL BACKGROUND OF COMMERCE IN THE SUB-CONTINENT

II. Very Short Answer Questions:

1. What is meant by Barter System?

- ♣ Barter system which means exchange of goods for goods.
- ♣ Goods were exchanged for goods prior to invention of money.

2. What is meant by Nallangadi?

- ♣ Day Market was called as Nallangadi
- ♣ The place where the goods were sold was called 'Angadi'.

3. What is meant by Allangadi?

- ♣ Night Market was called as Allangadi

III. Short Answer Questions

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

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

2. State the meaning of Maruvurappakkam and Pattinappakkam.

- ♣ Big cities like Poompuhar had the 'Maruvurappakkam' (inland town) and 'Pattinappakkam' (coastal Town), had market and bazaars where many merchants met one another for the purpose of selling or buying different kinds of commodities and food stuff.
- ♣ Port towns like Tondi, Korkai, Puhar and Muziri were always seen as busy with marts and markets with activities related to imports and exports.
- ♣ In such a brisk trade, people of the coastal region, engaged themselves in coastal trade and developed their intercontinental trade contacts.

3. What are the ports developed by Pandiya kingdom?

- ♣ Kaveripumpattinam was the chief port of the Kingdom of Cholas while Nagapattinam, Marakannam, Arikamedu etc. were other small ports on east coast.
- ♣ Similarly Pandiyas developed Korkai, Saliyur, Kayal, Marungaur pattinam and Kumari for foreign trade.
- ♣ The State Governments installed check posts to collect customs along the highways and the ports.

UNIT I FUNDAMENTALS OF BUSINESS

CHAPTER 2 OBJECTIVES OF BUSINESS

II. Very Short Answer Questions:

1. What is meant by Economic Activities?

- ♥ Activities undertaken with the object of earning money are called economic activities.
- ♥ **Examples: (any 2)**
 - i. Production of goods by manufacturers
 - ii. Distribution of goods by wholesalers

- iii. Selling by retailers
- iv. Medical advice rendered by physicians
- v. Accounting practice by chartered accountants

2. What do you mean by Business?

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

3. What do you mean by Employment?

- ♥ It refers to the occupation in which people work for others and get remuneration in the form of wages or salaries.
- ♥ The one who is employed by others are called employees and the one who employs others is called employer.
- ♥ Managers, Clerks, Bank officials, Factory workers etc., are examples of employees.

III. Short Answer Questions

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

- ♥ Human activity is an activity performed by a human being to meet his/her needs and wants or may be for personal satisfaction.
- ♥ Human activities can be categorised into Economic and Non-Economic activities.
- ♥ **I. Economic Activities:**
 - Economic activities are those activities which are undertaken to earn money or financial gain for livelihood. **e.g.**, Fruit seller selling fruits
- ♥ **II. Non-Economic Activities:**
 - 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. Write a short notes on: (a) business (b) profession

a) Business:

- ♥ Business refers to any human activity undertaken on a regular basis with the object to earn profit through production, distribution, purchase and sale of goods and services.
- ♥ According to **James Stephenson** business refers to "Economic activities performed for earning profits."
- ♥ According to **H. Haney**, "Business may be defined as a human activity directed towards producing or acquiring wealth through buying and selling of goods".

b) Profession:

- ♥ Professions are those occupations which involve rendering of personal services of a special and expert nature.
- ♥ A profession is something which is more than a job.
- ♥ It is a career for someone who is competent in their respective areas.

3. Explain the classification of business.

1. Activities on the basis of size:

a) Small scale:

- Small scale units require less capital.
- They employ small number of workers and produce the goods on small scale.
- Example: Manufacturing textiles in handlooms or power looms.

b) Large scale:

- Large scale units require huge capital. They employ large number of workers and produce the goods on large scale.
- Manufacturing Textiles in a large Textile mill.
- Example. Raymonds, Ramraj Cotton

2. Activities on the basis of ownership:

- a) Private enterprises b) Public enterprises c) Joint enterprises

3. Activities on the basis of function:

- a) Industry b) Commerce

UNIT I FUNDAMENTALS OF BUSINESS

CHAPTER 3 CLASSIFICATION OF BUSINESS ACTIVITIES

II. Very Short Answer Questions:

1. Define Commerce.

- ◆ **According to Evelyn Thomas**, —Commercial operations deal with the buying and selling of goods, the exchange of commodities and the contribution of finished products.

2. What do you mean by Industry?

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

3. What is Trade?

- ◆ Trade is an essential part of commerce.
- ◆ The term 'trade' is used to denote buying and selling.
- ◆ It helps in making the goods produced available to ultimate consumers or users.
- ◆ Therefore, one who buys and sells is a trader.
- ◆ A trader is a middleman between the producer and the consumer.
- ◆ Trade may be classified into internal trade and external trade, wholesale trade or retail trade.

III. Short Answer Questions:

1. What do you mean by tertiary industries?

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

2. Write a short note on Transportation.

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

UNIT II FORMS OF BUSINESS ORGANISATION

CHAPTER 4 SOLE PROPRIETORSHIP

II. Very Short Answer Questions

1. Who is called a Sole Trading business?

- Sole Proprietorship is a form of business organization in which an individual introduces his own capital, uses his own skill and intelligence in the management of its affairs and is solely responsible for the result of its operations.
- It is also known as individual entrepreneurship.

2. What are the Non-Corporate enterprises?

- Sole Proprietorship, a Partnership, a Joint Hindu Family Business

3. What are the Corporate enterprises?

- Government, Joint Stock Companies, Co-operatives.

III. Short Answer Questions

1. How is it possible to maintain secrecy in Sole Proprietorship?

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

2. What is unlimited liability?

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

3. Give some examples of Sole trading business.

- If one wants to start a restaurant has to obtain a license from the Health Department of the Municipal Corporation.
- Grocery store, Medical Store, Beauty Parlors, Tailoring Shops, etc.,

UNIT II FORMS OF BUSINESS ORGANISATION

CHAPTER 5 HINDU UNDIVIDED FAMILY AND PARTNERSHIP

II. Very Short Answer Questions

1. Who is called KARTA?

- ⌘ All the affairs of a Joint Hindu Family are controlled and managed by one person who is known as 'Karta' or 'Manager'.
- ⌘ The Karta is the senior most male member of the family.
- ⌘ The members of the family have full faith and confidence in Karta.
- ⌘ Only Karta is entitled to deal with outsiders.
- ⌘ But other members can deal with outsiders only with the permission of Karta.

2. What are the two schools of Hindu law?

- ⌘ There are two schools of Hindu Law-one is Dayabhaga which is prevalent in Bengal and Assam and the other is Mitakshara prevalent in the rest of the-country.
- ⌘ According to Mitakshara law, there is a son's right by birth in the property of joint family.
- ⌘ It means, when a son is born in the family, he acquires an interest in the property jointly held by the family.
- ⌘ Today Hindu succession Act 2005 is applicable to all male and female members of a HUF.

3. Who is called a Partner?

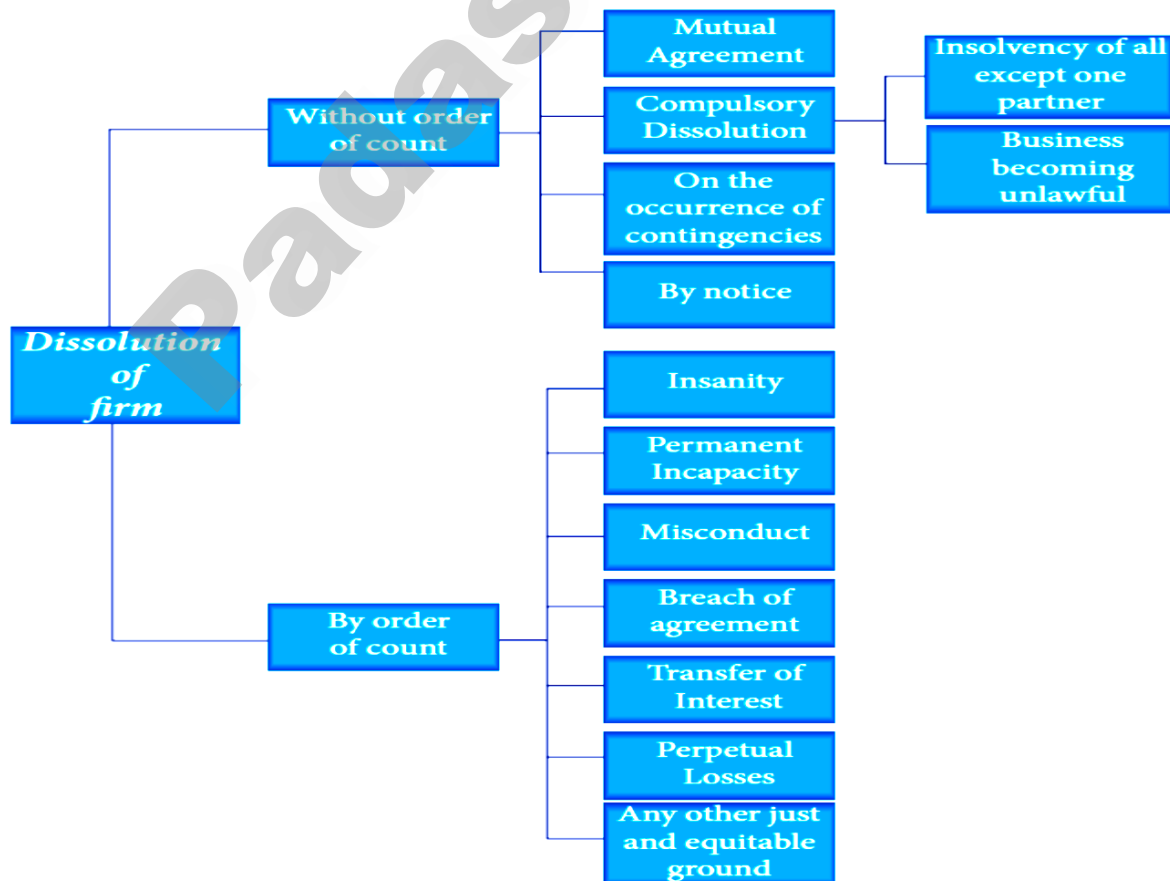
- ⌘ The persons who enter into partnership are individually called 'Partners' and collectively known as 'Firm'.
- ⌘ According to Section 4 of the partnership Act, 1932. "Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all".

4. Who is a Sleeping partner / Dormant Partner?

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

5. How many types of Dissolution?

- ⌘ Dissolution may be of two types.
- ⌘ They are: (a) Dissolution of Firm, (b) Dissolution of Partnership.



III. Short Answer Questions

1. Write any three features of HUF.

i. Governed by Hindu Law

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

ii. Management

- ⌘ All the affairs of a Joint Hindu Family are controlled and managed by one person who is known as 'Karta' or 'Manager'.
- ⌘ The Karta is the senior most male member of the family.
- ⌘ The members of the family have full faith and confidence in Karta.
- ⌘ Only Karta is entitled to deal with outsiders.
- ⌘ But other members can deal with outsiders only with the permission of Karta.

iii. 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.

iv. Liability

- ⌘ Except the Karta, the liability of all other members is limited to their shares in the business.
- ⌘ The amount of debt can be recovered from his personal property also.

v. Permanent Existence

- ⌘ The death, lunacy or insolvency of any member of the family does not affect the existence of the business of Joint Hindu Family.
- ⌘ The family goes on doing its business.

vi. Implied Authority of Karta

- ⌘ In a joint family firm, only Karta has the implied authority to enter into a contract for debts and pledge the property of the firm for the ordinary purpose of the businesses of the firm.

vii. Minor also a co-parcener

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

viii. Dissolution

- ⌘ The Joint Hindu Family business can be dissolved only at the will of all the members of the family.
- ⌘ Any single member has no right to get the business dissolved.

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

- ⌘ Since partnership is the outcome of an agreement, the minimum number of persons required to form a partnership is two. Maximum is 50
- ⌘ The maximum number of partners in a partnership firm is 10 in the case of banking business 20 in other cases.

3. What is the meaning of Partnership Deed?

- ⌘ Though a partnership agreement need not necessarily be in writing, it is important to have a written agreement in order to avoid misunderstandings; it is desirable to have a written agreement.

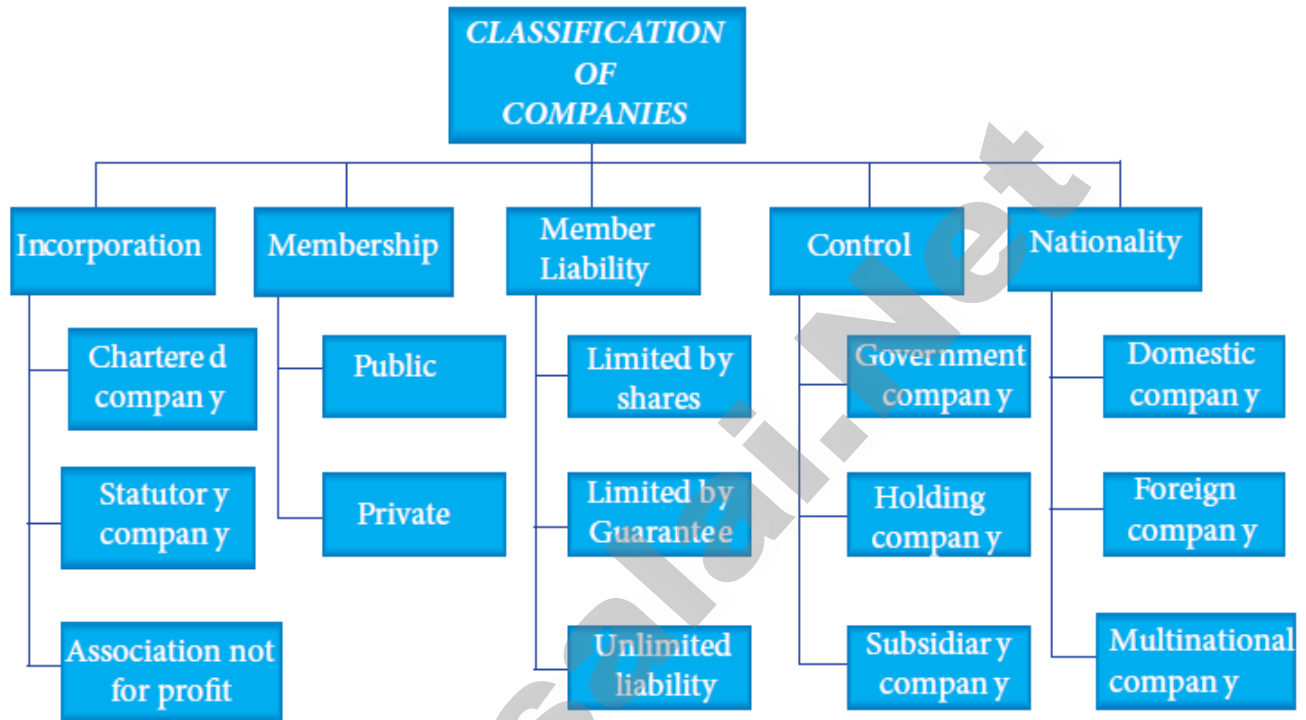
- ⌘ A carefully drafted partnership deed helps in ironing out differences which may develop among partners and in ensuring smooth running of the partnership business.
- ⌘ It should be properly stamped and registered.

UNIT II FORMS OF BUSINESS ORGANISATION

CHAPTER 6 JOINT STOCK COMPANY

II. Very Short Answer Questions

1. What are the different types of companies?



2. Define a Company.

- "A company is an association of many persons who contribute money or money's worth to a common stock and employ it in some trade or business, and who share the profit and loss (as the case may be) arising there from."

- Lord Lindley

- "A company is an artificial person created by law having a separate entity with a perpetual succession and a common seal".

- Sec 2 of Companies Act 2013

3. What is meant by Limited liability?

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

4. Explain any two characteristics of a company.

i. Separate Legal Entity

- Under Incorporation a company becomes a separate legal entity as compared to its members.
- The company is distinct and different from its members.
- It has its own seal and its own name, its assets and liabilities are separate and distinct from those of its members.
- It is capable of owning property, incurring debt, and borrowing money, employing people, having a bank account, entering into contracts and suing and being sued separately.
- In short, it is considered as an artificial person created by law.

ii. Limited Liability

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

iii. Perpetual Succession

- A company does not cease to exist unless it is specifically wound up or the task for which it was formed has been completed.
- Membership of a company may keep on changing from time to time but that does not affect life of the company.
- A company is created by law and it can be windup only through legal process.

iv Separate Property

- A company is a distinct legal entity.
- A member cannot claim to be owner of the company's property during the existence of the company.

v. Transferability of Shares

- Shares in a company are freely transferable.
- When a member transfers his shares to another person, the transferee steps into the shoes of the transferor and acquires all the rights of the transferor in respect of those shares.
- There are restrictions in the transferability of shares in case of private companies.

vi. Common Seal

- A company is an artificial person and does not have a physical presence.
- Thus, it acts through its Board of Directors for carrying out its activities and entering into various agreements.
- Such contracts must be under the seal of the company.
- The common seal is the official signature of the company.
- The name of the company must be engraved on the common seal.
- Any document not bearing the seal of the company may not be accepted as authentic and may not have any legal force.

vii. Capacity to Sue and being sued

- A company can sue or be sued in its own name as distinct from its members.

viii. Separate Management

- A company is administered and managed by its managerial personnel i.e. the Board of Directors.
- The shareholders are simply the holders of the shares in the company and need not necessarily be the managers of the company.

ix. One Share-One Vote

- The principle of voting in a company is one share-one vote i.e. if a person has 10 shares, he has 10 votes in the company.
- This is in direct distinction to the voting principle of a co-operative society where the "One Member - One Vote" principle applies

5. What is meant by Chartered Company?

- Chartered companies are established by the King or Queen of a country.
- Powers and privileges of chartered company are specified in the charter.
- Power to cancel the charter is vested with King/Queen.
- Examples: East Indian Company, Bank of England, Hudson's Bay Company. The Companies Act does not apply to them.
- Such companies cannot be started in India.

III. Short Answer Questions**1. What are the advantages of Companies? (any 3)****i. Large Capital**

- A company can secure large capital compared to a sole trader or partnership.
- Large amount of capital is necessary for conducting business on a large scale.
- For e.g. Reliance has invested more than ₹25,000 crore in its telecom venture.
- Raising such huge amount of funds would be utter impossible in a sole-tradership or partnership.

ii. Limited Liability

- The liability of a shareholder is limited.
- In the case of a company limited by guarantee, his liability is restricted to the amount that he has guaranteed to contribute in the event of winding up of the company.

iii. Transferability of Shares

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

iv. Perpetual Succession

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

- This ensures continuity in operations and the company can undertake long term investments.

v. Promotion of Saving and Investment Habit

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

vi. Risk Bearing Capacity

- The loss of the company is distributed over a large number of shareholders.
- So each shareholder bears a very little amount of loss.
- Hence the company form of organization has risk bearing capacity.

vii. Economies of Large-scale Operation

- A joint stock company can undertake business on large scale.
- As a result it can derive all the advantages of large scale production.
- For e.g. Hero Moto Corp Ltd. 2015, the world's largest seller of two-wheelers, manufactures motorbikes on a large scale and is able to enjoy cost efficiency.

viii. Economic Development

- Joint stock company system has been responsible for the rapid growth of industries and trade in many countries.
- Since Joint Stock Companies have large financial resources, they are able to undertake large scale production, satisfy the needs of more number of consumers, create large scale employment opportunities, promote balanced regional development and contribute substantially to the government by way of taxes.

2. What is meant by Government Company?

- A public enterprise incorporated under the Indian Companies Act, 1956 is called a government company.
- These companies are owned and managed by the central or the state government. Section 617 of the Companies Act, 1956 defines "Government Companies" as any company in which not less than 51% of the [paid-up share capital] is held by.
 1. The Central Government; or
 2. Any State Government or Governments; or
 3. Partly by the Central Government and partly by one or more State Governments.
- A subsidiary of a Government company shall also be treated as a Government company.
- These companies are registered as private limited companies though their management and their control vest with the government.
- This is a type of organization where both the government and private individuals are shareholders.
- Sometimes these companies are called as a mixed ownership company.

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

3. What is meant by Foreign Company?

- A foreign company means a company which is incorporated in a country outside India under the law of that country.
- After the establishment of business in India, the following documents must be filed with the Registrar of Companies within 30 days from the date of establishment.
 - (i) A certified copy of the charter or statutes under which the company is incorporated, or the Memorandum and articles of the company translated into English.
 - (ii) The full address of the registered office of the company.
 - (iii) A list of directors and secretary of the company.
 - (iv) The name and address of any person resident of India who is authorised to accept, on behalf of the company, service of legal process and any notice served on the company.
 - (v) The full address of the company's principal place of business in India.

UNIT II FORMS OF BUSINESS ORGANISATION

CHAPTER 7 COOPERATIVE ORGANISATION

II. Very Short Answer Questions

1. What do you mean by cooperative organization?

- ❖ A cooperative is a form of business organisation which is owned and controlled by the people who use its products, supplies or services.
- ❖ Profit is not a main objective.

Examples of a Cooperative Society:

- (i) Indian Coffee House
- (ii) Mother Dairy
- (iii) Shri Mahila Griha Udyog Lijjat Papad
- (iv) Indian Farmers Fertilizers Cooperative Limited
- (v) The Indian Airlines (Cargo) C.G.H.S.Ltd.

2. Define Cooperatives.

- ❖ 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. – **H.Calvert**
- ❖ Cooperation is "better farming, better business and better living"

– **Sir Horace Plunkett**

3. What is Credit Cooperatives?

- ❖ Cooperative credit societies are those formed for the purpose of providing short-term financial help to their members.
- ❖ Agriculturists, artisans, industrial workers, salaried employees, etc., form these credit societies.
- ❖ Being unable to obtain financial accommodation from banks they are at the mercy of money-lenders who charge exorbitant rates of interest.
- ❖ Ending this exploitation and encouraging thrift among members is the objective of these societies.

- ❖ Credit societies may be agricultural credit societies or non-agricultural credit societies.

4. Who are Rochdale Pioneers?

- ❖ At first, the cooperative movement was started by Robert Owen, in the year 1844.
- ❖ He formed a consumer's cooperative society in England with 28 workers as members, called Rochdale Society of Equitable Pioneers.

III. Short Answer Questions:

1. What are the disadvantages of Cooperatives? (any 3)

i. Limited funds

- ❖ Co-operative societies have limited membership and are promoted by the weaker sections.
- ❖ The membership fees collected is low.
- ❖ Therefore the funds available with the co-operatives are limited.
- ❖ The principle of one-man one-vote and limited dividends also reduce the enthusiasm of members.
- ❖ They cannot expand their activities beyond a particular level because of the limited financial resources.

ii. Over reliance on Government funds

- ❖ Co-operative societies are not able to raise their own resources.
- ❖ Their sources of financing are limited and they depend on government funds.
- ❖ The funding and the amount of funds that would be released by the government are uncertain.
- ❖ Therefore co-operatives are not able to plan their activities in the right manner.

iii. Imposed by Government

- ❖ In the Western countries, co-operative societies were voluntarily started by the weaker sections.
- ❖ The objective is to improve their economic status and protect themselves from exploitation by businessmen.
- ❖ But in India, the co-operative movement was initiated and established by the government.
- ❖ Wide participation of people is lacking.
- ❖ Therefore the benefit of the co-operatives has still not reached many poorer sections.

iv. Benefit to rural rich

- ❖ Co-operatives have benefited the rural rich and not the rural poor.
- ❖ The rich people elect themselves to the managing committee and manage the affairs of the co-operatives for their own benefit.
- ❖ The agricultural produce of the small farmers is just sufficient to fulfill the needs of their family.
- ❖ They do not have any surplus to market.
- ❖ The rich farmers with vast tracts of land produce in surplus quantities and the services of co-operatives such as processing, grading, correct weightment and fair prices actually benefit them.

v. Inadequate rural credit

- ❖ Co-operative societies give loans only for productive purposes and not for personal or family expenses.
- ❖ Therefore the rural poor continue to depend on the money lenders for meeting expenses of marriage, medical care, social commitments etc.
- ❖ Co-operatives have not been successful in freeing the rural poor from the clutches of the money lenders.

vi. Lack of managerial skills

- ❖ Co-operative societies are managed by the managing committee elected by its members.
- ❖ The members of the managing committee may not have the required qualification, skill or experience.
- ❖ Since it has limited financial resources, its ability to compensate its employees is also limited.
- ❖ Therefore it cannot employ the best talent.
- ❖ Lack of managerial skills results in inefficient management, poor functioning and difficulty in achieving objectives.

vii. Government intervention

- ❖ Co-operative societies are subject to excessive government regulation which affects their autonomy and flexibility.
- ❖ Adhering to various regulations takes up much of the management's time and effort.

viii. Misuse of funds

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

ix. Inefficiencies leading to losses

- ❖ Co-operative societies operate with limited financial resources.
- ❖ Therefore they cannot recruit the best talent, acquire latest technology or adopt modern management practices.
- ❖ They operate in the traditional mold which may not be suitable in the modern business environment and therefore suffer losses.

x. Lack of secrecy

- ❖ Maintenance of business secrets is the key for the competitiveness of any business organization.
- ❖ But business secrets cannot be maintained in cooperatives because all members are aware of the activities of the enterprise.
- ❖ Further, reports and accounts have to be submitted to the Registrar of Co-operative Societies.
- ❖ Therefore information relating to activities, revenues, members etc becomes public knowledge.

xi. Conflicts among members

- ❖ Cooperative societies are based on the principles of co-operation and therefore harmony among members is important.
- ❖ But in practice, there might be internal politics, differences of opinions, quarrels etc. among members which may lead to disputes.
- ❖ Such disputes affect the functioning of the co-operative societies.

xii. Limited scope

- ❖ Co-operative societies cannot be introduced in all industries.
- ❖ Their scope is limited to only certain areas of enterprise.
- ❖ Since the funds available are limited they cannot undertake large scale operations and is not suitable in industries requiring large investments.

2. Write a note on Housing cooperatives.

- ❖ These cooperative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.
- ❖ People who intend to build houses of their own join together and form housing societies.
- ❖ These societies advance loans to members, repayable over a period of 15 to 20 years.
- ❖ Housing building societies, on the other hand, construct houses for their members instead of granting loans to them.
- ❖ These are house construction societies which acquire land, construct houses and rent them to members.
- ❖ The member-tenant, however, can own the houses after paying the cost.

3. What is meant by Producers cooperative society?

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

UNIT II FORMS OF BUSINESS ORGANISATION**CHAPTER 8 MULTI NATIONAL CORPORATIONS (MNCs)****II. Very Short Answer Questions****1. Define Multinational Company.**

- ♣ A multinational corporation owns and manages business in two or more countries. - **Neil H.Jacoby**
- ♣ "MNC is defined to be an enterprise operating in several countries but managed from one country"

2. What is meant by oligopoly?

- ♣ It is a market condition where there are very few sellers in the same product line.

- ♣ Global enterprises are the business organisations which operate in more than one country.
- ♣ Since they operate in more than one nation they are also called as Multi National Companies.

3. Give two examples of MNC's.

- ♣ Bata Corporation - Bata India
- ♣ Colgate Palmolive - Colgate India
- ♣ Sony Corporation - Sony India
- ♣ Suzuki - Maruthi Suzuki
- ♣ Timex - Timex watches

III. Short Answer Questions

1. Name the type of business enterprises which operates in more than one country.

- ♣ Bata Corporation - Bata India
- ♣ Colgate Palmolive - Colgate India
- ♣ Sony Corporation - Sony India
- ♣ Suzuki - Maruthi Suzuki
- ♣ Timex - Timex watches

2. Write any three Indian MNC's.

- ♣ Micromax Informatics - Gurgaon
- ♣ Hero Motocorp - New Delhi
- ♣ Bajaj - Pune
- ♣ Britannia - Bengaluru
- ♣ TVS - Chennai
- ♣ TATA - Mumbai
- ♣ INFOSYS - Bengaluru

UNIT II FORMS OF BUSINESS ORGANISATION CHAPTER 9 GOVERNMENT ORGANISATION

II. Very Short Answer Questions

1. Give two examples of Public Corporation.

- ♦ Life Insurance Corporation of India,
- ♦ The Indian Airlines,
- ♦ The Air India International,
- ♦ Oil and Natural Gas Commission etc.

2. Give two examples of Departmental Undertaking.

- ♦ The Indian Railways are managed by the Ministry of Railways - New Delhi.
- ♦ Post and Telegraph services are run as a department, under the Ministry of Communication.
- ♦ The Delhi Milk Scheme,
- ♦ All India Radio,
- ♦ Doordarshan
- ♦ Department of Food and Public Distribution - New Delhi
- ♦ Tamil Nadu Police Department - Chennai

3. What is meant by Red-Tapism?

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

III. Short Answer Questions

1. What is meant by Departmental Undertakings?

- ◆ Department form of organisation of managing state enterprises is the oldest form of organisation.
- ◆ In those days, no distinction was made between the routine functions of the Government and that of the public enterprises.
- ◆ Therefore, most of the early state owned enterprises were the best examples of the departmental form of organisation.
- ◆ Under departmental form of organisation, a public enterprise is run as a separate full-fledged ministry or as a major sub-division of a department of the Government.

2. What is meant by Government Company?

- ◆ A "Government company" is defined under Section 2(45) of the Companies Act, 2013 as "any company in which not less than 51% of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company".

3. What is meant by Public Corporations?

- ◆ A public corporation is that form of public enterprise which is created as an autonomous unit, by a special Act of the Parliament or the State Legislature.
- ◆ Since a public corporation is created by a Statute; it is also known as a statutory corporation.
- ◆ The Statute defines the objectives, powers and functions of the public corporation.

UNIT II FORMS OF BUSINESS ORGANISATION

CHAPTER 10 RESERVE BANK OF INDIA

II. Very Short Answer Questions:

1. What are the services included in Service businesses?

- ♣ Educational, medical, hospitality and the like service business existed for centuries.

2. Write the meaning of "Bank".

- ♣ **According to Banking Regulation Act 1949** – "Banking means the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, pay order or otherwise.

3. Briefly explain about Central Bank.

- ♣ Every nation has one central bank.
- ♣ It is owned by the Government of the country.
- ♣ The control over the entire banking system of a country is vested with this apex bank.
- ♣ Central banks are known by different names in different countries.

- ♣ Their functions also vary from country to country.
- ♣ A Central bank is set up as an autonomous or quasi-autonomous body.
- ♣ Stability and growth of the country's economy are the main goals of a Central bank.
- ♣ In India the Reserve Bank of India (RBI) is the central bank.

III. Short Answer Questions:

1. What are the functions of RBI? (any 3)

- ♣ The functions of the RBI can be grouped under three heads.
 - A. Leadership and Supervisory Functions
 - B. Traditional Functions and
 - C. Promotional Functions:
 - ♣ The RBI performs a wide range of promotional functions to support national objectives.

1. Nurturing Banking Habits among the Public

- ♣ It is the responsibility of RBI to maintain the public confidence in the banking system.
- ♣ It protects the depositors' interest and aim at providing cost-effective banking services in order to include more people to avail banking services.
- ♣ It has also taken up the task of extending the banking system territorially and functionally to the unbanked areas.

2. Grievance Settlement Measures

- ♣ RBI has appointed 20 (up to 2017) Banking Ombudsman in 20 state capitals.
- ♣ Banking Ombudsman Scheme is a speedy and inexpensive forum for resolution of customer complaints relating to certain services rendered by banks in India.

3. Agricultural Development

- ♣ Agriculture industry is specified as priority sector by the RBI.
- ♣ The loans of all scheduled banks should consist of a percentage of loans to priority sector.
- ♣ It works in close association with NABARD to develop agriculture in India.

4. Promotion of Small Scale Industries

- ♣ Micro Small and Medium Enterprises are included in the priority sector.
- ♣ All scheduled banks are required to open separate branches to specialise the financing of these industries.

5. Facilitates Foreign Trade

- ♣ The RBI has simplified the rules for credit to exporters, through which they can now get long term advance from banks.

6. Supports Cooperative Sector

- ♣ It helps cooperative banks by relaxing rules and providing indirect financing.
- ♣ The rupee symbol was changed from Rs. to "₹" by the Government of India on July 15, 2010.

2. Explain the origin of RBI.

- ♣ In 1926 the Hilton-Young Commission or the Royal Commission on Indian Currency and Finance (J. M. Keynes and Sir Ernest Cable were its members) made recommendation to create a central bank.
- ♣ As a result, the RBI Act 1934 was passed and RBI launched in operations from April 1, 1935.
- ♣ Its head office was in Calcutta and moved to Mumbai in 1937.
- ♣ From January 1, 1949, RBI started functioning as a government owned central bank of India.
- ♣ RBI was established with a share capital of ₹5 crores divided into shares of ₹100 each fully paid up.
- ♣ The entire share capital was owned by private shareholders.
- ♣ Its head office was in Calcutta and moved to Mumbai in 1937.

3. Who are the persons involved in RBI administration?

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

UNIT III SERVICE BUSINESS - I

CHAPTER 11 TYPES OF BANKS

II. Very Short Answer Questions:

1. Give the meaning of Commercial Banks.

- ♥ Banks which accept deposits from the public and grant loans to traders, individuals, agriculture, industries, transport, etc. in order to earn profit.
- ♥ Their lending is in comparatively small amounts and mostly for short and medium period.
- ♥ They also provide other services like remittance of funds, safe keeping of valuables, collection of cheques, issue of letters of credit, etc.
- ♥ They operate with a head office and a network of branch offices spread throughout the country.
- ♥ They also issue guarantees to businessmen.

- ♥ When a businessman or industrialist buy machinery on credit or apply for a big contract bank guarantees that in case the customer fails the bank will make the payment.

Examples:

- i. State Bank of India
- ii. Karur Vysa Bank
- iii. Standard Chartered Bank

2. What do you mean by Industrial Development Banks?

- ♥ Huge finance 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.
- ♥ The objective of development banks is not profit.
- ♥ Their aim is to develop the country and create employment opportunities.
- ♥ Finance is provided by them for medium and long terms ranging from five to twenty years.
- ♥ Development banks do not accept deposits from the public.
- ♥ They subscribe the shares and debentures of the industries.
- ♥ They provide technical and managerial consultancy services to industrialists.
- ♥ IDBI Bank established as the apex development bank in 1964 and was transformed into public sector commercial bank in 2004.
- ♥ Currently it performs both development bank and commercial bank functions.
- ♥ Its name changed into IDBI Bank Limited in 2008.
- ♥ When a development bank is established for the development of agriculture industry it is called agricultural development bank.
- ♥ National Bank for Agriculture and Rural Development is such a bank

Examples:

- i. Industrial Finance Corporation of India - IFCI
- ii. Small Industries Development Bank of India -SIDBI
- iii. MUDRA bank (for the development of micro industries)

3. What are Foreign Banks?

- ♥ Banks which have registered office in a foreign country and branches in India are called foreign banks.
- ♥ These banks open their offices in big cities and port towns only.
- ♥ Mostly they serve the interests of the multinational companies, employees and other business institutions.
- ♥ Their profitability is higher than Indian banks.
- ♥ In 2017, there were 42 Foreign Banks in India and all of them were scheduled banks.
- ♥ They have to oblige both their home country banking regulations and the RBI regulations.

Examples:

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

III. Short Answer Questions

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

- ♥ Local Area Bank (LAB) scheme was introduced by the RBI in August 1996.
- ♥ LABs are small private sector banks established in rural and semi-urban areas.
- ♥ Each bank serves two or three adjoining districts only.
- ♥ Their main objective is to mobilise rural savings (accept deposits) and invest them in the same areas.
- ♥ They have to follow the priority sector lending targets, including the targets on loans to weaker sections.
- ♥ RBI received 227 applications for setting up LABs.
- ♥ 10 were considered for approval and six were given license under Section 22 of the Banking Regulation Act, 1949. Only three LABs are functioning now.

Exmaples:

- i. Coastal Local Area Bank, Vijayawada, Andhra Pradesh.
- ii. Krishna Bhima Smruddhi Local Area Bank, Mahabubnagar, Telangana.
- iii. Subhadra Local Area Bank Limited, Kolhapur, Maharashtra.

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

- ♥ The RRBs were formed under the Regional Rural Bank Act 1976, jointly by the Central Government, State Government, and a sponsor bank.
- ♥ Their share capital is contributed by these sponsors in the ratio of 50:15:35.
- ♥ They are established as low cost institutions in rural areas.
- ♥ Their objective is to develop rural economy and play supplementary role to cooperative societies.
- ♥ They mobilise deposits from the rural public and provide finance to rural artisans, small entrepreneurs and farmers and try to avoid their dependency on money lenders.
- ♥ As on 31.3.2016, there were 56 RRBs in India with 14,494 branches.
- ♥ They are regulated and supervised by NABARD.

Examples:

- i. Pallavan Grama Bank, Salem, Tamil Nadu
- ii. Pandian Grama Bank, Thirumangalam, Madurai District, Tamil Nadu
- iii. Vallalar Grama Bank, Chidambaram, Cuddalore District, Tamil Nadu
- iv. Paduvai Bharathiyar Grama Bank, Villiyanur, Puducherry.

UNIT III SERVICE BUSINESS - I

CHAPTER 12 FUNCTIONS OF COMMERCIAL BANKS

II. Very Short Answer Questions

1. What is Mobile Banking?

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

2. Write a short notes on Debit card.

- ◆ ATM card is also called debit card.
- ◆ This card is more useful in purchase of goods and services anywhere in India, if the shop maintains a swiping machine facility.
- ◆ VISA card and Maestro card services are offered by Visa Corporation and Mastercard both from the USA.
- ◆ RuPay cards services were launched in March 2012 by the National Payments Corporation of India.

3. Write a short notes on Credit card.

- ◆ Banks issue credit cards to customers and other eligible persons.
- ◆ With this card, the holder can purchase goods and services on credit at any shop in India.
- ◆ If the dues are paid within the stipulated time no interest is charged.
- ◆ The credit limit is fixed by the issuing bank based on the income of the cardholder.

4. What do you mean by ATM?

- ◆ A customer can withdraw money anytime, anywhere in India from the ATM machine using the ATM card given by his/her bank.
- ◆ The machine also shows the balance available in the customers' account, provides statement print of the few past transactions, etc.
- ◆ Withdrawal of money in other bank ATMs is restricted and will be charged beyond the specified number of usage.

III. Short Answer Questions**1. What is E-Banking?**

- ◆ This reduces cost and time and makes banking service convenient to the customers. It is operated through internet.
- ◆ This service is a substitute for drafts, cheques and other paper based transfer of funds.

2. Write a short note on – RTGS.

- ◆ It was launched by the RBI in 2013.
- ◆ The transactions are settled on real time basis.
- ◆ Gross settlement means the transaction is settled between one bank and another bank without adding any other transactions.
- ◆ RTGS facility is available between 9.00 am to 4.30 pm on weekdays and up to 2.00 pm on Saturdays.
- ◆ In one day the RTGS routes about 60,000 transactions worth about ₹2,700 billion and covers over 52,000 bank branches located in 10,000 cities and towns.
- ◆ RTGS transfers are not allowed on Sundays and bank holidays.
- ◆ Minimum limit for RTGS transaction is 2 lakhs.

3. Explain – NEFT.

- ◆ This was launched by the RBI in 2005.
- ◆ Under this electronic funds transfer system, bulk transfer of transactions are settled in batches during specific timings across India.
- ◆ Individuals and institutions which maintain accounts with a NEFT enabled bank branch are eligible for using NEFT.

- ◆ Transactions do not occur under real time basis.
- ◆ Once in every half hour from 8.00 am to 7.30 pm.
- ◆ 23 settlements are allowed in a day.
- ◆ NEFT transfers are not allowed on Sundays and bank holidays.
- ◆ Both NEFT and RTGS use IFSC (Indian Financial System Code) - a 11 digit alphanumeric code, to identify a bank branch.
- ◆ IFSC is provided by IDRBT (Institute for Development & Research on Banking Technology), Hyderabad.

UNIT III SERVICE BUSINESS - I

CHAPTER 13 WAREHOUSING

II. Very Short Answer Questions

1. What is Warehouse?

- ❖ It is a place where goods are stored for future use and act as distribution centres.
- ❖ Warehouses are designed depending upon the nature of the products to be stored.
- ❖ For example, to keep perishable items like fruits and vegetables, cold storages are required.
- ❖ Certain pharmaceutical products are to be kept under suitable temperature.
- ❖ Liquids like petrol, oil molasses need tanks while grains like barley, pulses, etc. need ventilated halls.
- ❖ According to J. Stephenson, "a warehouse is an establishment for the storage or accumulation of goods".

2. List the various types of warehouses.

A. On the Basis of Ownership

- (a) Private Warehouses
- (b) Government Warehouses
- (c) Public Warehouses
- (d) Co-operative Warehouses
- (e) Bonded Warehouses
- (f) Institutional Warehouses
- (g) Distribution Centre Warehouses

B. On the Basis of Commodities Stored

- (a) General Warehouses
- (b) Special Commodity Warehouses
- (c) Cold Storages or Refrigerated Warehouses
- (d) Climate Controlled Warehouses

3. Give any two functions of warehouses.

(i) Storage

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

(ii) Price Stabilization

- ❖ Warehousing ensures price stabilization by supplying goods as and when demanded.
- ❖ It acts as a cushion to absorb price fluctuations and supplies the goods at more or less uniform prices throughout the year.

(iii) Equalization of Demand and Supply

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

(iv) Business Finance

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

(v) Risk bearing

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

(vi) Preparation for sale

- ❖ Modern warehouses undertake the functions of sorting, packing and labelling for the purpose of making the goods suitable for marketing.
- ❖ Hence warehousing is needed for making the goods suitable for sale.

(vii) Widening the marketing area

- ❖ A manufacturer can sell the goods to different marketing areas by establishing branch warehouses or taking the service of rental warehouses at the required places.
- ❖ Thus warehousing widens the market for the goods.

(viii) Value added services

- ❖ Warehouses also provide certain value added services, such as in transit mixing, grading, packaging and labelling.
- ❖ Sometimes, goods are repacked and labelled again at the time of inspection by prospective buyers.

4. Give a note on FCI.

- ❖ It provides storage facilities for food grains.
- ❖ Food Corporation of India also hires storage capacity from other sources such as Central Warehousing Corporation, State Warehousing Corporation and private parties.
- ❖ The available storage capacity of Food Corporation of India is 74.6 million tonnes. (August 28, 2013 Government told in Lok Sabha).
- ❖ The FCI was set-up under the Food Corporation Act 1964, in order to fulfil following objectives of the food policy:
 - i. Distribution of food grains throughout the country for public distribution system.
 - ii. Effective price support operations for safeguarding the interests of farmers.

- iii. Maintaining satisfactory level of operational and buffer stocks of food grains to ensure National food security.

III. Short Answer Questions

1. Differentiate the warehouse warrant from the warehouse receipt. (any 3)

Warehouse Warrant	Warehouse Receipt
1. It is a document of title of goods	It is not a document of title of goods
2. It is not only an acknowledgement for the receipt of goods but also gives an authority to get delivery of goods by the owner or by third party.	It is only an acknowledgement for the receipt of goods.
3. It can be negotiated or transferred to others.	It cannot be transferred to others
4. It can be given a collateral security for getting financial assistance	It cannot be given as collateral security.
5. Delivery of goods effected by surrendering this warrant with endorsement	Delivery is effected by surrendering this receipt with letter from depositor.

2. Explain Cold storage warehouse.

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

UNIT III SERVICE BUSINESS - I CHAPTER 14 TRANSPORTATION

II. Very Short Answer Questions

1. Define Transport.

- The transport system acts with reference to the area it serves in the same way as a candle does in a dark room – **K.K. Sexena**

2. State any two services rendered by transport.

a) It increases the efficiency of production

- The object of production is consumption. Effective transport system creates time and place utilities and thereby influences the demand for goods and the value of goods.
- Thus, transport makes production efficient and purposeful.

b) It stimulates wants by increasing quantity and variety of consumer goods

- It helps in getting commodities, which cannot be had or produced in a region due to unsuitable natural conditions.
- Without adequate and effective transport, goods cannot be had either in the quantities or varieties required in a complex economy.

c) It develops and expands the market

- The primary function of transport is to enable the physical distribution of goods at global level.
- The distribution of goods must take place easily, economically and speedily.
- It provides the chance of expanding national and international market.

d) It helps in price stability by distributing goods all over the country

e) It aids to economic growth

- The movement of raw materials, fuel, labour and finished products and the mobility of capital and technical know-how, transport playing a remarkable role in the growth of all industries from agriculture to manufacturing.

f) It helps in specialization and mass production

- Specialization means the division of complex process of production into a number of separate processes so that each person or group specializes in each and every process. It has been extended to international level too.

g) It encourages innovations in product production and designing

- It provides plenty of opportunities to the producers to produce their product in innovative and creative way, to catch up the wider market and reap more profit.

3. Write any two advantages of water transport.

- It is considered as the cheapest mode of transport among the other modes of transport.
- It carries goods smoothly due to the absence of shaking and jolting during transit. It is eminently suitable for the carriage of fragile goods like glassware, earthenware etc., without causing damage.
- It is most suitable for heavy loads.
- There is lesser pollution in water transport.
- Initial investment on river services as well as expenditure on their maintenance is much lesser as compared to road and rail transport.

III. Short Answer Questions

1. What is bill of lading?

- Bill of Lading is a document containing the terms and conditions of the contract of carriage.
- It is issued by the shipping company and signed by the captain of the ship.
- It acknowledges the receipt of the goods described in it on board the ship.
- It also serves as an official receipt of goods.
- It is a document of title of goods. The main contents are: Name of Exporter, name of the ship, place of loading, particulars of goods shipped, port of destination, freight paid or to be paid, person to whom delivery of goods is to be made, date etc.
- If the condition of the packages is good, a clean bill of lading is issued.

- If some of the packages are found damaged, a foul or clause bill of lading is issued.

2. What is Charter Party?

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

UNIT III SERVICE BUSINESS - I

CHAPTER 15 INSURANCE

II. Very Short Answer Questions

1. List any five important types of policies.

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

2. What is health insurance?

- ♣ In mid 80's, most of the hospitals in India were government owned and treatment was free of cost.
- ♣ With the advent of Private Medical Care, the need for Health Insurance was felt and various Insurance Companies introduced Health Insurance as a Product.
- ♣ Presently the health insurance exists primarily in the form of 'Mediclaim policy'.
- ♣ Health insurance policy is a contract between an insurer and an individual or group, in which the insurer agrees to provide specified health insurance at an agreed upon price (premium).
- ♣ Disability resulting from illness or accident may be peril to family because it not only cuts off income but also creates large medical expenses.
- ♣ Health insurance is taken as safeguard against rising medical costs.
- ♣ It provides risk coverage against unforeseen health expenditure that may result in financial hardship.

III. Short Answer Questions:

1. Define Insurance.

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

- According to John Merge

2. Give the meaning of Crop insurance.

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

3. Write a note on IRDAI.

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

UNIT IV SERVICE BUSINESS - II

CHAPTER 16 EMERGING SERVICE BUSINESS IN INDIA

II. Very Short Answer Questions

1. Who is a Franchisee?

- ♦ The individual who acquires the right to operate the business or use the trademark of the seller is known as the franchisee.

2. State two disadvantages of Franchising.

a) Franchising fees:

- ♦ The initial franchising fee and the subsequent renewal fees can be very high in case of successful businesses.
- ♦ From the franchisee's point of view, this may be a deterrent.

b) Fixed royalty payment:

- ♦ The franchisee has to make payment of royalty to the franchiser on a regular basis. This considerably reduces the income of the franchisee.

c) Danger of image tarnishing:

- ♦ If the franchisee does not maintain standards of quality and service; there is a danger that the goodwill and image of the reputed franchiser will be adversely affected.

d) Lack of freedom:

- ♦ The franchisee does not have the freedom to run his business in an independent manner.
- ♦ He has to abide by management and operational policies of the franchiser,
- ♦ This may serve as a deterrent whether suitable to him or not.

e) Limitation on range of products:

- ♦ The franchisee cannot introduce new product lines into the business, except those permitted by franchiser.
- ♦ This may mean loss of business to franchisee amidst demands based on local conditions.

3. What is meant by BPO?

- ♦ BPO means getting contractual services of external companies or group of companies to complete special work or process of a company.
- ♦ For example call centres, data entry etc.

- ◆ This reduces the expenditure by using cheap labour available in developing countries like Indian, China etc.

4. What is meant by Logistics?

- ◆ Logistics can be viewed as a logical extension of transportation and related areas to achieve an efficient and effective goods distribution system.

III. Short Answer Questions

1. What are the types of Franchising?

- ◆ There are primarily two types of franchising

a) Product/ trade name franchising:

- ◆ In this type, the franchisee exclusively deals with a manufacture's product.
- ◆ Examples include Kidzee, French Loaf outlets, Bharat Petroleum bunks, Patanjali products, etc.
- ◆ Relationships like Maruti Suzuki with ABT Maruti or Hero Honda bike dealerships may be considered as franchises.
- ◆ However, they but should be considered more as exclusive dealerships with more operational freedom for the dealers.

b) Business format franchising:

- ◆ When a franchisor awards rights covering all business aspects as a complete business package to the franchisee it is called as business format franchising.
- ◆ This package includes training, support and the corporate name.
- ◆ This enables uniformity of products, services, environment across geographical boundaries with a high degree of standardisation.
- ◆ Examples are McDonald's, Pizza Hut. KFC, Hot breads, Titan, Color plus, Zodiac, Lakmé beauty parlour.

2. List the steps in factoring process. (any 3)

- ◆ The firm enters into a factoring arrangement with a factor, which is generally a financial institution, for invoice purchasing
- ◆ Whenever goods are sold on credit basis, an invoice is raised and a copy of the same is sent to the factor.
- ◆ The debt amount due to the firm is transferred to the factor through assignment and the same is intimated to the customer.
- ◆ On the due date, the amount is collected by the factor from the customer.
- ◆ After retaining the service fees, the remaining amount is sent to the firm by the factor

3. What is the impact of e-commerce on buyers? (any 3)

- ◆ Buyers could have a global access to information about variety of products and services available in the market
- ◆ They could buy the products/services round the clock from anywhere in world
- ◆ 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.

- ◆ Electronic and software products could be downloaded immediately after purchase through e – commerce mode
- ◆ Customers could participate in e auction which is one of the facets of e – commerce and get contract in a free and fair manner
- ◆ Individuals could sell their used products through e – commerce mode with relative ease.
- ◆ Buyers can bargain and negotiate better terms and conditions with respect to buying knowledge products.

UNIT V SERVICE BUSINESS - III

CHAPTER 17 SOCIAL RESPONSIBILITY OF BUSINESS

II. Very Short Answer Question

1. Give the meaning of Social power.

- Businessmen have considerable social power.
- Their decisions and actions affect the lives and fortunes of the society.
- They collectively determine for the nation such important matters as level of employment, rate of economic progress and distribution of income among various groups.
- Businessmen should assume social obligations commensurate with their social power.
- The government controls and regulations intervene in the social power of business in the absence of business taking up social responsibility.
- It is, therefore, the moral and right thing for business enterprises to assume social obligations.

2. What is free enterprise?

- A business enterprise which accepts and discharges social obligations enjoys greater freedom.
- For example, the government has passed the Consumer Protection Act to prevent businessmen from indulging in adulteration, black marketing and other anti-social practices.
- Thus, social responsibilities are essential for avoiding governmental action against business. Such action will reduce the freedom of decision making in business.

3. What is Ethical responsibility?

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

III. Short Answer Question

1. Define the concept of Social Responsibility.

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

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

2. What are the social responsibility of business towards owners?

- Owners are the persons who own the business.
 → They contribute capital and bear the business risks.
 → The primary responsibilities of business towards its owners are to
- Run the business efficiently.
 - Proper utilisation of capital and other resources.
 - Growth and appreciation of capital.
 - Regular and fair return on capital invested.

UNIT V SERVICE BUSINESS - III

CHAPTER 18 BUSINESS ETHICS AND CORPORATE GOVERNANCE

II. Very Short Answer Questions

1. What is Ethics?

- ♥ Business exists to supply goods and services to the people from social point of view but from individual point of view, the primary objective of any business unit is to make profit.
- ♥ The individual objective should not be in conflict with societal objective.
- ♥ These two objectives normally contradict each other, as one business enterprise may be good in individual objective and bad at societal objective and vice versa.
- ♥ This raises the question of what is right and what is wrong.
- ♥ The subject matter of ethics is concerned with establishing linkages between individual good and social good. Ethical standards are often enacted into laws.
- ♥ For example charging fair prices to customers, using fair weights for measurement of commodities giving fair treatment to workers, earning reasonable profits etc.
- ♥ All business units have realised that ethics is vitally important for the existence and progress of the business as well as the society.
- ♥ It is very important as it improves public image, earns public confidence, and leads to greater success. Ethics and profits go together in the long run. It enhances the quality of life, standard of living and business.

2. Write any two key elements of Business Ethics.

1. Top Management Commitment

- ♥ Top management has a very important role to guide the entire organization towards ethical behaviour.
- ♥ The top level personnel in any organisation should work openly and strongly committed towards ethical conducts and guide people working at middle and low level to follow ethical behaviour.

2. Publication of a "Code"

- ♥ Generally organisations formulate their own ethical codes for the conduct of the enterprise; it should followed by the employees of the organisation.
- ♥ The organisation principles are defined in the written document called code.
- ♥ The code of conduct covers various areas such as health and safety in the work place, fair dealing in selling and marketing activities, ethical practices in the business etc.

3. Establishment of Compliance Mechanism

- ♥ To make sure that actual decisions match with a firm's ethical standards, suitable mechanism should be established.
- ♥ Any organisation following ethical codes in training, recruitment, selection etc., is sure to be profitable.
- ♥ The organisation must provide for an environment where the employees are to free to report about the matters of unethical behaviour.

4. Involving Employees at All Levels

- ♥ It is the employees at different levels who implement ethics policies to make ethical business a reality.
- ♥ Therefore, their involvement in ethics programmes becomes a must.
- ♥ For example small group of employees can be formed to discuss the important ethics policies of firms and examine attitudes of employees towards these policies.

5. Measuring Results

- ♥ The organisations from time to time keep a check on ethical practise followed.
- ♥ Although it is difficult to accurately measure the end results of ethics programmes, the firms can certainly audit to monitor compliance with ethical standards.
- ♥ The top management team and other employees should then discuss the results for further course of action.

3. Define Corporate governance.

- ♥ "Corporate governance is about promoting fairness, transparency and accountability." -**World Bank**
- ♥ "Corporate governance is defined as the system by which companies are directed and controlled." - **Cadbury committee**

III. Short Answer Questions

1. What do you mean by the concept of Business Ethics?

- ♥ 'Business houses need to go beyond the interests of their companies to the communities they serve.' Ratan Tata, Former Chairman of the Tata group
- ♥ 'A business that is in the making of only money is a poor kind of business.' Hendry Ford, Founder of Ford Motor Corporation.
- ♥ Ethics is derived from the Greek word 'ethos' which means a person's fundamental orientation towards life.

- ♥ It governs the behaviour, derived from the moral standards which help to determine right or wrong, good or evil.
- ♥ Ethical behaviour is the acts consistent with the moral standards or codes of conduct established by society.
- ♥ It may change over time and differ from culture to culture.
- ♥ For example, political bribes or payoffs may be acceptable in one culture but not in other. Ethical issues are inevitable in business.

2. Why MNC's in India? (any 3)

- ♥ The reasons for so many MNC's in Indian are as follows
 1. India has a huge market
 2. It is one of the fastest growing economies in the world.
 3. Favorable policies of the government towards FDI.
 4. Financial liberalization of the country after 1991.
 5. Government encourages and makes continuous efforts to attract foreign investment by relaxing policies.

UNIT IV BUSINESS FINANCE

CHAPTER 19 SOURCES OF BUSINESS FINANCE

II. Very Short Answer Questions

1. Write a short notes on Debentures.

- 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.
- The individual or person subscribing to debentures is called debenture holder.
- An entity raising funds through debenture has to pay interest at the stipulated date whether it earns profit or loss.
- Failure to pay interest leads to liquidation of the company.
- Debenture holders do not have voting rights.

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

- Borrowed funds
- Debentures
- Loan from banks
- Loan from financial institution
- Public deposits
- Lease financing

3. Write any two examples of Post Office Savings Schemes.

- Post Office Savings Account,
- Post Office Recurring Deposit Account (RD),
- Post Office Fixed Deposit Account (FD/TD),
- Post Office Monthly Income Account Scheme (MIS),
- Senior Citizens Saving Scheme (SCSS)
- Public Provident Fund Account (PPF),
- National Savings Certificates (NSC),

- Kisan Vikas Patra (KVP),
 - Sukanya Samriddhi Account (SSA).
 - Investors can choose the appropriate postal schemes as per their needs.
- Postal investment schemes is the safest investments

III. Short Answer Questions

1. Define Business Finance.

- "The finance function is the process of acquiring and utilizing funds by a business." – **R.C. Osborn**
- "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." - **B.O.Wheeler**

2. What is Pledge?

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

3. Classify the sources of business finance on the basis of period.

- The different sources of finance can be further grouped into three categories on the basis of period - 1) Short term finance 2) Medium term finance 3) Long term finance

i. Short term finance:

- Short term funds are those sources which are required by the business firms for a period of within one year.
 1. Loans and Advances
 2. Bank overdraft
 3. Discounting bills of exchange
 4. Trade credit
 5. Pledge
 6. Hypothecation
 7. Mortgage
 8. Loans against the securities
 9. Clean loan
 10. Commercial Paper (CP)
 11. Hire purchase finance
 12. Factoring

ii. Medium term finance:

1. Loans from bank
2. Loan from Financial Institution
3. Lease financing

iii. Long term finance:

- Long term sources of funds refer to those sources which are required by the business firms for a period exceeding five years.
1. Shares – i) Equity shares ii) Preference shares
 2. Debentures
 3. Retained earnings
 4. Public deposits
 5. Long term loan from commercial banks
 6. The loans form financial institutions

UNIT IV BUSINESS FINANCE**CHAPTER 20 INTERNATIONAL FINANCE****II. Very Short Answer Questions****1. Who are Foreign Institutional Investors?**

- ♦ The FII can be defined as an investment made by a Non-resident in equity of domestic company without intention of acquiring management control.
- ♦ FIIs are the investments made by an individual investor or an investment fund, into the financial markets of another nation.
- ♦ Organisations like hedge funds, insurance companies, pension funds and mutual funds can be called as institutional investors.
- ♦ Foreign Institutional Investors play a very important role in Indian economy.
- ♦ From 1992, Foreign Institutional Investors (FIIs) have been allowed to invest in all securities traded on the primary and secondary markets, including shares, debentures and warrants issued by companies.
- ♦ Over 1450 foreign institutional investors have registered their names with the Securities and Exchange Board of India (SEBI), the regulator for the securities market in India.

2. What is a Depository Receipt?

- ♦ A depository receipt is a negotiable financial instrument issued by a bank to represent a foreign company's equity shares or securities.
- ♦ They are issued to attract a greater amount of investment from other countries.
- ♦ Any foreign investor can invest in a foreign stock directly without worrying about differences in currency, accounting practices, or language barriers, etc.

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

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

4. What is American Depository Receipt (ADR)?

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

III. Short Answer Questions

1. Explain the importance of international finance. (any 3)

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

2. What is meant by Foreign Currency Convertible Bonds?

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

3. Explain any three disadvantages of FDI.

1. Exploiting Natural Resources:

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

2. Heavy Outflow of capital:

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

3. Not Transferring Technology:

- ♦ Some foreign enterprises do not transfer the technology to developing countries.
- ♦ They mostly transfer second hand technology to the host country.
- ♦ They keep the fundamental aspects of technology with the parent company.
- ♦ In such case, the host country may not get the advantage of technology transfer and consequent economic development.

4. Exploiting Cheap Labour:

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

5. Creating Monopolistic Environment:

- ◆ Multi National Companies (MNCs) which enter the host country through FDI route create monopolistic conditions in the host countries through their market power.
- ◆ They may not create competitive environment in the host country.
- ◆ Contrarily they may affect the competition altogether and establish supremacy.

UNIT VI BUSINESS FINANCE

CHAPTER 21 MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) AND SELF HELP GROUPS (SHGs)

II. Very Short Answer Questions

1. Give some examples for micro enterprises.

- ❖ Micro enterprises are engaged in low scale activities such as clay pot making, fruits and vegetable vendors, transport (three wheeler tempos and autos), repair shops, cottage industries, small industries, handlooms, handicraft works etc.

2. What is the aim of NEEDS?

- ❖ Government of Tamil Nadu launched "New Entrepreneur-cum-Enterprise Development Scheme (NEEDS)" with a view to encouraging the educated youth to become the first generation entrepreneurs.
- ❖ The Scheme envisages providing entrepreneurship development training to educated young entrepreneurs, preparing business plans and helping them to tie up with financial institutions to set up new business ventures, besides linking them with major industrial clients.

3. What is a Self Help Groups?

- ❖ Self Help Group has emerged as a new model for combating poverty.
- ❖ This concept mainly demonstrates the significance of togetherness.
- ❖ The Self Help Group represents an association of people formed to attain certain common goals.
- ❖ Self Help Group is a small informal voluntary association created for the purpose of enabling members to reap economic benefit out of mutual help, solidarity, and joint responsibility.
- ❖ The benefits include mobilization of savings and credit facilities for the pursuit of group enterprise activity.
- ❖ National Bank for Agricultural & Rural Development (NABARD) has defined Self Help Group as "a homogenous group of rural poor voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute to a common fund of the group to be lent to the members for meeting their productive and emergent credit needs"

III. Short Answer Questions

1. List out the products produced by MSME in Tamil Nadu.

- ❖ In Tamil Nadu MSMEs sector produces a wide variety of products in almost all fields.
- ❖ The prominent among them are the textile, electronic products, engineering products, auto ancillaries, leather products, chemicals, plastics, garments, jewellery etc.
- ❖ There are 12.94 Lakh registered number of units of MSMEs in the State, providing an employment opportunities to about 81 Lakh people.

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

1. Employment Potential

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

2. Low Production Cost

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

3. Low Investment

- ❖ MSMEs do not require a huge capital to start the unit.
- ❖ It can employ locally available resources within the reach of the owner.
- ❖ They help to perfect and promote traditional family skills and handicrafts.
- ❖ These industries facilitate the growth of local entrepreneurs and self employed professionals in small towns and villages.

4. Quick Decision Making

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

5. Supplementary Role

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

6. Establishment of Socialistic Pattern of Society

- ❖ MSME sector contributes towards the establishment of socialistic pattern of society by reducing the concentration of income and wealth.
- ❖ It enables and empowers people of small means to take up a gainful industrial activity, and thereby helps to achieve equitable distribution of wealth.

7. Balanced Regional Development

- ❖ By encouraging MSMEs in industrially backward areas of India, balanced development can be achieved across all regions.
- ❖ It will also help greatly in preventing the people from migrating to cities and towns in pursuit of employment.

8. Promotion of Self Employment and Self Reliance Spirit

- ❖ MSMEs help to a great deal in developing a class of entrepreneurs.
- ❖ It promotes self-employment and a spirit of self-reliance in the society, thereby contributing an increase in per capita income or economic development.

9. Higher Contribution to Manufacturing and Export

- ❖ MSMEs contribute 45% to the total manufacturing output and 40% to the exports from the country.
- ❖ It helps in earning precious foreign exchange in various countries across the world.

3. Explain any three features of Self Help Group.

- ❖ The motto of every group members should be "saving first – credit latter"
- ❖ Self Help Group is homogeneous in terms of economic status.
- ❖ The ideal size of a Self Help Group ranges between 10 and 20 members.
- ❖ The groups need not be registered.
- ❖ Groups are non-political, voluntary associations and follow a democratic culture.
- ❖ Each group should have only one member from one single family.
- ❖ A group is to be formed with only men or only with women.
- ❖ Self Help Group holds weekly meetings mostly during non-working hours, and full attendance is made mandatory for better participation.
- ❖ The groups have transparency among themselves and they have collective accountability in respect of financial transactions.
- ❖ Every group provides a platform to its members for exchange of their views and ideas freely.

UNIT VII TRADE

CHAPTER 22 TYPES OF TRADE

II. Very Short Answer Questions

1. Give the meaning of Trade.

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

2. What is International Trade?

- 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.
- Mostly shipping and air transports are used for carriage of goods in international trade.
- The currencies of trading nations and commonly agreeable currency if any to both may be used in the said international trade.
- E.g., Petrol and Aeroplanes.

3. What is Import Trade?

- Import trade means buying goods from a foreign country for domestic use.
- Example. India imports petroleum products from Gulf Countries.
- India imports machinery, equipment, materials etc.
- It is necessary to speed-up industrialization, to meet consumer demands and to improve standard of living.

4. Explain the meaning of Entrepot Trade.

- Entrepot trade means importing of goods from one country and exporting the same to foreign countries. It is also known as 'Re-export trade'.
- E.g. Indian diamond merchants in Surat import uncut raw diamonds from South Africa. They cut and polish the diamonds in their units in India and re-export them to the International Diamond Market in Amsterdam.
- **Singapore, Dubai, Hongkong are the largest entrepot trade centres in the world**

III. Short Answer Questions

1. Explain the types of Internal trade.

- Home trade consists of two main sub-divisions namely
- 1. Wholesale trade and 2. Retail trade

1. Wholesale Trade

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

2. Retail Trade

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

2. Give three examples of India's Import and Exports items.

Export items:	Import items:
1. Petroleum products	1. Mineral fuels including oil
2. Jewelry	2. Gem, precious metals
3. Automobile	3. Electrical machinery and equipments
4. Bio-chemicals	4. Machinery including computers
5. Pharmaceuticals	5. Organic chemicals

UNIT VII TRADE
CHAPTER 23 CHANNELS OF DISTRIBUTION

II. Very Short Answer Questions

1. Who is a middleman?

- ♥ The term 'Middlemen' refers to all those who are in the link between the primary producer and the ultimate consumer in the exchange of goods or service.
- ♥ The various intermediaries can be broadly classified into two main categories.
 - 1) Mercantile Agents
 - 2) Merchant Middlemen

2. Define Retailer.

- ♥ According to S. Evelyn Thomas "the retailer is the last of the many links in the economic chain whereby the consumer's wants are satisfied smoothly and efficiently by retailers".
- ♥ According to Cundiff and Still "a retailer is a merchant or occasionally an agent whose main business is selling directly to the ultimate consumers".
- ♥ A retailer has been defined as "a trading intermediary engaged in the distribution of goods to the ultimate consumer".

3. Who is a Broker?

- ♥ A Broker is one who bargains for another and receives commission for his service.
- ♥ He is paid 'brokerage' for his services.
- ♥ He brings buyer and the seller to the negotiating process and arranges for finalising contracts between them.
- ♥ The principal businessman does not pass on either possession of goods or the ownership of goods to the broker.
- ♥ The broker is not personally liable for the contracts concluded.
- ♥ The most common form of agent and broker encountered by the consumers are functioning in real estate sector.
- ♥ A real estate agent acts for both the buyer and the seller.

4. What are the classifications of the merchant middlemen?

- ♥ Merchant Middlemen are the intermediaries who buy and sell the goods in their own name, and in return earn a profit out of it.
- ♥ They take ownership as well as possession of the goods they sell.
- ♥ They operate in their own name and bear all the risks.
- ♥ Merchant middleman can be further sub- divided into:
 1. Wholesaler, 2. Retailer

5. Who are the mercantile agents?

- ♥ Mercantile Agents are also called functional middlemen.
- ♥ A businessman appoints a person to buy and sell goods on his behalf and gives him the right to borrow money on the security of goods.
- ♥ He is known as mercantile agent.
- ♥ He is not given ownership title of the goods.
- ♥ He is paid commission on his turnover.

III. Short Answer Questions

1. Explain the types of mercantile agents.

- ♥ Brokers
- ♥ Factors
- ♥ Commission Agents
- ♥ Del-credere Agents
- ♥ Auctioneers
- ♥ Warehouse keepers.

(i) Brokers

- ♥ A Broker is one who bargains for another and receives commission for his service.
- ♥ He is paid 'brokerage' for his services.
- ♥ He brings buyer and the seller to the negotiating process and arranges for finalising contracts between them.
- ♥ The principal businessman does not pass on either possession of goods or the ownership of goods to the broker.
- ♥ The broker is not personally liable for the contracts concluded.

(ii) Factors

- ♥ A factor is a mercantile agent to whom goods are entrusted for sale by a principal.
- ♥ He takes physical possession of the goods, though he does not obtain ownership of the goods.
- ♥ A factor sells goods in his own name without revealing the name of his principal.
- ♥ He may even sell them on credit and other usual terms.
- ♥ He is entitled to receive payment for the goods sold and he gives valid receipts.
- ♥ He is liable for his action. He can sue or be sued for his contracts.
- ♥ He has a right of lien on goods in his possession for his unpaid charges.

(iii) Commission Agent or Consignees

- ♥ A commission agent buys and sells goods on behalf of the principal for a fixed rate of commission for all his transactions.
- ♥ All risks connected with his transactions are borne by the principal.
- ♥ His functions are more varied than a broker and he takes decision over the prices and terms of the sale.
- ♥ He has expert knowledge of the goods and trends in the market.
- ♥ He takes possession of the goods without title over them and sells in his own name.

(iv) Del-credere Agents

- ♥ The agent who guarantees to the principal the collection of cash from credit sales is called del-credere agent'.
- ♥ If they do not pay, the agent would bear the loss himself.
- ♥ He is given an additional commission known as del-credere commission for bearing the risk.
- ♥ He carefully selects the buyers to whom credit can be extended based on their honesty and reliability.

(v) Auctioneers

- ♥ Auctioneers are agents who sell goods by auction on behalf of their principals.
- ♥ Auction sale is made through a notification to the public.
- ♥ The notice clearly mentions the date, time, place and details of goods which will be widely published through newspapers, posters, leaflets and announcements etc.,
- ♥ 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".
- ♥ 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".
- ♥ Striking a hammer on the desk indicates the acceptance of a bid by auctioneer.
- ♥ After the highest bid is accepted, the auctioneer becomes the agent for both the seller and the buyer.
- ♥ For his services, the auctioneer is entitled to receive a commission, which is a certain percentage of the sale proceeds.

(vi) Warehouse-keeper

- ♥ A Warehouse keeper accepts goods for the purpose of storage in his warehouse.
- ♥ He should exercise reasonable care and diligence in the storage of goods.
- ♥ He is entitled to payment for his services.
- ♥ He will have lien on the goods in case the payments for his services remain unpaid.
- ♥ The warehouse keeper delivers to the owner of the goods a receipt known as warehouse keeper's receipt or certificate.
- ♥ It is an acknowledgement issued by warehouse keeper for the receipt of goods by him for the purpose of storage.
- ♥ It is not a document of title to goods.
- ♥ He may issue a 'Warehouse warrant', which is a document of title to goods

2. Explain any three characteristics of wholesalers.

- ♥ Wholesalers buy goods directly from producers or manufacturers,
- ♥ Wholesalers buy goods in large quantities and sell in relatively smaller quantities,
- ♥ Wholesalers sell different varieties of a particular variety of product,
- ♥ They employ a number of agents or workers for distribution of products
- ♥ They need large amount of capital to be invested in his business,
- ♥ They generally provide credit facility to retailers,
- ♥ They also provide financial assistance to the producers or manufacturers,
- ♥ In a city or town, they are normally located in one particular area of the market.

UNIT VII TRADE

CHAPTER 24 RETAILING

II. Very Short Answer Questions

1. State the meaning of Multiple shops.

- A number of identical retail shops with similar appearance normally deal in standardised and branded consumer products established in different localities owned and operated by manufacturers or intermediaries are called as Chain stores or Multiple shops.
- In USA, these are known as chain stores but these are popular as multiple shops in Europe.
- They deal only in particular line of product and specialise in the same. Many such shops are in India. For example: Bata.

2. What is meant by Vending machines?

- Automatic vending machine is a new form of direct selling.
- It is a machine operated by coins or tokens.
- The buyer inserts the coin or the tokens into the machine and receives a specified quantity of a product from the machine.
- AVMs are placed at a convenient location such as railway stations, airports, petrol pumps, etc.
- **Example** Aavin Dairy Milk through AVMs

3. What are Specialty stores?

- Speciality Stores deal in a particular type of product under one product line only.
- For example, Sweets shop specialised in Tirunelveli Halwa, Bengali Sweets, etc.

III. Short Answer Questions

1. Explain the characteristics of Super markets.

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

2. Explain the demerits of Multiple shops. (any 3)

i. Limited variety

- Multiple shops deal only in limited range of products.

ii. Absence of services

- Customers do not get credit, home delivery and other facilities.

iii. Lack of personal touch

- The owner loses direct personal contact with the customers.
- The paid staffs do not take personal interest in each and every customer.

iv. Inflexibility

- All the branches centrally controlled and uniform policies are adopted for all the shops.

UNIT VIII INTERNATIONAL BUSINESS

CHAPTER 25 INTERNATIONAL BUSINESS

II. Very Short Answer Questions

1. What do you mean by International business?

- ⌘ International business denotes all those business activities which take place beyond the geographical limits of the country.
- ⌘ It involves not only the international movements of goods and services, but also of capital personnel, technology and intellectual property like patents, trademarks, know - how and copy rights.

2. What is meant by Export Trade?

- ⌘ When the firm of country sells goods and services to a firm of another country it is called export trade.
- ⌘ Export trade indicates selling of goods and services from the home country to a foreign country.
- ⌘ For Example; the sale of handicraft, leather products, electronic goods, herbal products, etc., by Indian company to other countries is known as export trade.

3. What is meant by Import Trade?

- ⌘ When the business firm of a country purchases goods from the firm of another country it is called import trade.
- ⌘ Importing means purchase of foreign products and bringing them into one's home country.
- ⌘ For example when Indian enterprise purchases petroleum products, electrical goods, machinery, and medical equipments etc., from other countries, it is termed as Import Trade

4. What is meant by Entrepot Trade?

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

III. Short Answer Questions

1.Explain any three features of International business.

(a) Involvement of Countries.

- ⌘ International business can take place only when transactions occur across different countries

(b) Use of Foreign Exchange.

- ⌘ Where countries trade with one another, it has to exchange the goods and services on the basis of foreign currency.

(c) Legal Obligations.

- ⌘ Foreign trade is to be conducted strictly in accordance with the export and import policy of the country concerned.
- ⌘ The consent of the government is to be mandatorily obtained with reference to export and import of certain goods and services.
- ⌘ Thus government intervention is direct in respect of international transactions.

(d) Heavy Documentation Work.

- ⌘ International business necessitates fulfillment of a lot of formalities.
- ⌘ Parties to international business have to execute a number of documents in the matters of conducting International business.

(e) Difference in Economic Environment.

- ⌘ The economic environment of countries involved in international business differs significantly in terms of legal framework, institutional set-up, monetary fiscal and commercial policy, resources availability, production techniques, etc.,

2. Explain the features of Entrepot trade.

- a) Import duty is not levied on such goods
- b) These goods are reprocessed and repacked for re- export
- c) Such goods are kept in the Bonded warehouse till they are re-exported.

UNIT VIII INTERNATIONAL BUSINESS

CHAPTER 26 EXPORT AND IMPORT PROCEDURES

II. Very Short Answer Questions**1. What is meant by Indent?**

- ♣ After the scrutiny of quotation / proforma invoice, the buyer who intends to buy the goods sends an indent to exporter.
- ♣ The latter may either receive the order directly from the importer or through an agent who acts as an intermediary between the exporter and the importer.
- ♣ The agent receives commission for this intermediating service.
- ♣ An indent actually points to an order received from abroad for export of goods. i.e. sale of goods.
- ♣ Indent is prepared in duplicate. One copy of the indent is sent to the exporters and second one is retained by the importer and kept in his records.
- ♣ There are three types of indent, namely open indent, closed indent and confirmatory indent.

2. Mention the types of Indent.**A. Open Indent**

- ♣ It gives complete freedom to exporter to choose type of goods, price, quality, method of packing etc.

B. Closed Indent

- ♣ It does not give any freedom to exporter.
- ♣ Importer specifies the type of goods, price, quality, packing method, and so on which should be strictly observed by the exporter.

C. Confirmatory Indent

- ♣ An indent is to be confirmed by importer/ his agent and the confirmatory indent is sent by importer thereafter.

3. What is meant by Letter of Credit?

- ♣ Under this stage exporter intends to satisfy himself/herself about the trust worthiness of the importer.
- ♣ In this case the exporter is requested to arrange a letter of credit in his favour.
- ♣ Letter of Credit (LC) is an undertaking by its issuer (importer's bank) that bills of exchange drawn by the foreign dealer on the importer will be honoured upon its presentation by exporter's bank up to a specified amount.
- ♣ In other words it simply represents a guarantee given by the importer bank to the foreign dealer (exporter) that the amount in the bill will be honoured upon its presentation by the exporter /his agent.
- ♣ There are different types of letter of credit.
- ♣ Letter of Credit is opened only for well-established and reputed importer.
- ♣ It is beneficial both to the exporter and importer.
- ♣ Exporter is assured of payment and need not bother about credit worthiness of importer.
- ♣ The letter of credit simply transfers the burden of settling the transactions to the bank

III. Short Answer Questions

1. What are the contents of Indents?

- ♣ Quantity of goods sent
- ♣ Design of goods
- ♣ Price
- ♣ Nature of packing shipment
- ♣ Mode of shipment
- ♣ Period of delivery
- ♣ Mode of payment

2. What is meant by Mate's Receipt?

- ♣ Mate's Receipt is the document issued by the captain of the ship acknowledging the receipt of goods on board by him to the port of specified destination.
- ♣ This contains details like quantity of goods shipped, number of packages condition for packing. etc., Where the Mate is satisfied with packing he/she issues clean receipt.
- ♣ If he/she is not satisfied with packing, he/she issues foul receipt.
- ♣ Forwarding agent should seek to get clean receipt.
- ♣ Otherwise insurance company will not bear liability for loss in case of foul receipt.

3. What are the documents used in Import Trade? (any 3)

- ♣ Import License
- ♣ Indent
- ♣ Letter of Credit
- ♣ Bill of Entry
- ♣ Bill of sight
- ♣ Port Trust Dues Receipt

- ♣ Bill Of Lading
- ♣ Bill of Exchange
- ♣ Advice Note

UNIT VIII INTERNATIONAL BUSINESS

CHAPTER 27 FACILITATORS OF INTERNATIONAL BUSINESS

II. Very Short Answer Questions.

1. What is WTO?

- ◆ The World Trade Organisation (WTO) was established on 1st January 1995.
- ◆ The GATT was renamed as WTO with some changes.
- ◆ WTO has 164 member countries as on 29th July 2016.
- ◆ India is one of the three founder members.
- ◆ The ministerial conference consisting of the representatives of all the member countries is the highest decision-making authority of WTO.
- ◆ It meets almost once in every three years.
- ◆ It is empowered to take decisions on all vital matters under the multilateral trade agreements.
- ◆ The day-today work of WTO has been entrusted to the General Council.
- ◆ WTO is located at Geneva (Switzerland)

2. What do you mean by World Bank?

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

3. What is Special Drawing Rights?

- ◆ SDR was created by the IMF in the year 1969 as supplementary international reserve asset. It is described as paper gold.
- ◆ Initially the value of SDR was fixed to be 0.888671 grams of fine gold equivalent to one US dollar till the year 1973.
- ◆ After the collapse of Britten Wood system in 1973 SDR was redefined as basket of currencies.
- ◆ From 1st October 2016 SDR basket consists of US dollar, Euro, the Chinese Renminbi, Japanese Yen and British Pound sterling. The value of SDR is regularly posted daily in IMF website.
- ◆ It is calculated as the sum of specific amount of each basket currency value in US dollar based on the spot exchange rates observed at noon London time.
- ◆ IMF allocates SDR to member countries in proportion to their quota.
- ◆ IMF member can exchange SDR for freely usable currencies by voluntary exchange or as per IMF instructions.
- ◆ Besides members can borrow from IMF at favorable rate of interest to correct imbalance in balance of payments.

III. Short Answer Questions

1. Write any three objectives of IMF.

- ◆ Promoting international monetary cooperation
- ◆ Ensuring balanced international trade
- ◆ Ensuring exchange rate stability
- ◆ Eliminating or minimizing exchange restrictions by promoting multilateral payments.
- ◆ Providing economic assistance to member countries for correcting imbalance in balance of payments of countries
- ◆ Minimizing imbalance in quantum and duration of balance of payment.

2. Mention the functions of SAARC. (any 3)

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

3. Write any three benefits of WTO.

- ◆ WTO is promoting international peace and creating a conducive environment for conducting international trade
- ◆ It settles the trade disputes amicably among the member countries.
- ◆ It promotes the standard of living of people by increasing their income level from free trades
- ◆ WTO has removed quantitative restrictions and non-tariff barriers. It has facilitated free flow of foreign trade among the member countries. The countries can impose import restrictions only to correct balance of payments difficulties and not otherwise. It stimulates economic growth of developing countries by providing them with much needed capital and giving them preferential treatment in trade related matters.
- ◆ WTO organizes periodical regional and international conference. Thus developing countries get opportunity to learn the technicalities, rules and regulations governing world trade, technical assistance available globally, trade potentials in member countries and so on.
- ◆ WTO gives people across the world a wider choice of goods and broader range of qualities of goods to choose from by promoting free trade among the member countries.
- ◆ WTO has lowered trade barriers and thereby allowed trade to flourish across the world. The increase in trade contributes to increase in national income and personal income of people
- ◆ WTO provides a platform for member countries to establish trade links with one another. In the absence of WTO member countries may have to enter many multilateral agreement with so many countries across the world. It provides a greater access to all nations under one roof.
- ◆ WTO is committed to protecting free trade. It has framed rules on subsidies and dumping.

UNIT VIII INTERNATIONAL BUSINESS**CHAPTER 28 BALANCE OF TRADE AND BALANCE OF PAYMENTS****II. Very Short Answer Questions****1. What do you mean by Balance of Payments?**

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

2. What do you mean by Balance of Trade?

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

III. Short Answer Questions**1. What are the credit items shown in current accounts? (any 3)**

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

2. State the components of Capital account.**1. Private Capital**

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

2. Banking Capital

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

3. Official Capital

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

UNIT IX THE INDIAN CONTRACT ACT**CHAPTER 29 ELEMENTS OF CONTRACT****II. Very Short Answer Questions****1. What is Law?**

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

2. What is meant by Contract?

- ➔ As per the Indian Contract Act, 1872, a "contract" is an agreement enforceable by law.
- ➔ The agreements not enforceable by law are not contracts.

- An "agreement" means 'a promise or a set of promises' forming consideration for each other.
- A promise arises when a proposal is accepted. By implication, an agreement is an accepted proposal.
- In other words, an agreement consists of an 'offer' and its 'acceptance'.

Agreement = offer / Proposal + Acceptance

Contract = Agreement + Enforceability by law

3. How many parts of Indian Contract Law are classified?

- There are two parts of Indian Contract Act namely
 - a. General Contracts
 - b. Special Contracts

III. Short Answer Questions

1. What is meant by Offer?

- **Offer (i.e. Proposal) [section 2(a)]** When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other person either to such act or abstinence, he is said to make a proposal.

2. What do you mean by Agreement?

- **Agreement 2(e)** Every promise and set of promises forming consideration for each other is an agreement.
- In short, Agreement = Offer + Acceptance.

3. What is meant by Voidable Contract?

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

UNIT IX THE INDIAN CONTRACT ACT CHAPTER 30 PERFORMANCE OF CONTRACT

II. Very Short Answer Questions

1. State the ways of Performing a Contract.

i. Actual Performance

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

ii. Attempted Performance

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

2. Who is a Legal Representative?

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

3. Who is an Agent?

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

4. What is meant by Reciprocal Promise?

- ✓ Promises which form consideration or part of consideration for each other are called 'reciprocal promise'.
- ✓ For example X promises to sell his house to Y for Rs.5,00,000. The promises are reciprocal. X is the promisor to give the house and a promise to receive Rs.5,00,000. Y is the promisee to receive the house and a promisor to pay Rs. 5,00,000

III. Short Answer Questions

1. Who can demand performance?

i. Promisee:

- ✓ Only a promisee can demand performance and not a stranger demand performance of the contract.

ii. Legal Representative:

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

iii. Third party:

- ✓ Exception to "stranger to a contract"

2. Who will perform the contract?

i) Promisor himself (Section 40)

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

ii) Agent (Section 40)

iii) Representations (Section 37)

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

iv) Third Person (Section 41)

v) Joint Promisors

vi) Time and place of Performance of Promise

- ✓ For Example: X promises Y to pay Z ₹ 10,000/-. X does not pay the sum to Z. Here Z cannot bind X for the payment. It is only promisee Y who can enforce the promise against the promisor X.

3. What are the kinds of Reciprocal Promise?

1. Mutual and Independent

- ✓ Where each party must perform his promise independently without the performance of the other, the promise are mutual and independent,
- ✓ For example Ramu agrees to pay Somu the amount for the rice supplied on 10th June. Somu promises to deliver rice on 18th June.

2. Mutual and Dependent

- ✓ Where the performance of the promise by one party depends upon prior performance of promise by the other party, the promises are conditional and dependent.
- ✓ For example A agrees to construct a building for B. B agrees to supply cement for the construction. Hence A's promise to perform depends on B's promise.

3. Mutual and Concurrent

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

UNIT IX THE INDIAN CONTRACT ACT

CHAPTER 31 DISCHARGE AND BREACH OF A CONTRACT

II. Very Short Answer Questions

1. What are the kinds of consent?

(i) Express:

- ❖ Express consent may be given at the time of formation of the contract or subsequent to its formation

(ii) Implied:

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

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

2. What are the types of Impossibility of Performance?

- ❖ According to the Section 56 of the Act, all acts to do impossible acts are void.
- ❖ There are two types of impossibility of performance such as –
 - i) Impossibility existing at the time of agreement.
 - ii) Impossibility arising subsequent to the formation of contract.
 On the other hand, impossibility of performance existing at the time of performance of a contract may be either
 - (a) known to the parties or (b) not known to the parties.

3. What are the types of Damages?

- ❖ There are mainly four types of damages, such as-
 - i) Ordinary damages
 - ii) Special damages
 - iii) Vindictive or exemplary damages and
 - iv) Nominal damages.

III. Short Answer Questions

1. What are the various types of remedies for the injured parties?

- ❖ All parties to a contract are expected to perform their promises.
- ❖ When one party refuses to perform his promise, then the breach of contract takes place.
- ❖ The other party or parties are called aggrieved or injured party or parties.

- ❖ There are various types of remedies for the injured parties listed as follows
 - i) Rescission of Contract.
 - ii) Claim for Specific Performance.
 - iii) Claim for Injunction.
 - iv) Claim for Quantum Merit and
 - v) Claim for Damages.

2. What are the types of cases the court may order injunction?

- ❖ The court may order injunction in the following cases –
 - (a) if the contract is voidable.
 - (b) if the contract becomes void or
 - (c) on discovering the contract as void.

UNIT X DIRECT AND INDIRECT TAXES

CHAPTER 32 DIRECT TAXES

II. Very Short Answer Questions

1. What is Income Tax?

- ♣ Income tax is a direct tax under which tax is calculated on the income, gains or profits earned by a person such as individuals and other artificial entities (a partnership firm, company, etc.)

2. What is meant by Previous year?

- ♣ The year in which income is earned is called previous year.
- ♣ It is also normally consisting of a period of 12 months commencing on 1st April every year and ending on 31st March of the following year.
- ♣ It is also called as financial year immediately following the assessment year. (Previous Year (P.Y)[Sec.(3)])

3. What is an assessment year?

- ♣ The term has been defined under section 2(9).
- ♣ The year in which tax is paid is called the assessment year.
- ♣ It normally consisting of a period of 12 months commencing on 1st April every year and ending on 31st March of the following year. (Assessment Year (A.Y)[Sec.2 (9)])

III. Short Answer Questions

1. List out the five heads of income.

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

2. Write short notes on: a) Direct tax b) Indirect tax

i. Direct Tax:

- ♣ If a tax levied on the income or wealth of a person and is paid by that person (or his office) directly to the Government, it is called direct tax
- ♣ e.g. Income-Tax, Wealth Tax, Capital Gains Tax, Securities Transaction Tax, Fringe Benefits Tax (from 2005), Banking Cash Transaction Tax (for Rs.50,000 and above - from 2005), etc.
- ♣ In India all direct taxes are levied and administered by Central Board of Direct Taxes.

ii. Indirect Tax:

- ♣ If tax is levied on the goods or services of a person (seller).
- ♣ It is collected from the buyers and is paid by seller to the Government. It is called indirect tax.
- ♣ E.g. GST.

3. Who are all included in the term person?

- ♣ The term 'person' includes the following
 - ♣ an individual,
 - ♣ a Hindu Undivided Family (HUF),
 - ♣ a company,
 - ♣ a firm,
 - ♣ an Association Of Persons or a Body Of Individual, whether incorporated or not,
 - ♣ a local authority, and
 - ♣ Every artificial juridical person e.g., an idol or deity.

UNIT X DIRECT AND INDIRECT TAXES**CHAPTER 33 INDIRECT TAXATION****II. Very Short Answer Questions****1. What do you mean by Indirect Tax?**

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

2. Give any two examples for indirect taxes levied in India.

- ♥ GST (Goods and Service Tax)
- ♥ Excise duty,

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

- ♥ GST Act was passed on April 12, 2017. GST came into effect from 1st July, 2017.
- ♥ It is the single biggest tax reform since Independence.
- ♥ Several Countries like Russia, Canada, Australia, Singapore, China, etc. have already introduced GST.
- ♥ The right to levy tax is derived from the Constitution of India.
- ♥ To permit the Centre and the States to levy taxes on the same goods and services needed unique amendment to the Constitution.
- ♥ Accordingly 101st Constitution Amendment Act 2016 was passed and the President's acceptance was received on September 8, 2016.
- ♥ Under this Act, GST Council, a constitutional body was to be formed to implement GST.

4. What is CGST?

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

III. Short Answer Questions

1. What are the objectives of GST?

- ♥ The foremost objective of GST is to create a common market with uniform tax rate in India. (One Nation, One Tax, One Market)
- ♥ To eliminate the cascading effect of taxes, GST allows set-off of prior taxes for the same transactions as input tax credit.
- ♥ To boost Indian exports, the GST already collected on the inputs will be refunded and thus there will be no tax on all exports.
- ♥ To increase the tax base by bringing more number of tax payers and increase tax revenue.
- ♥ To simplify tax return procedures through common forms and avoidance of visiting tax departments.
- ♥ To provide online facilities for payment of taxes and submission of forms. Goods and Services Network (GSTN), a robust Information Technology system has been created for the operation of GST.

2. Write any three demerits of GST.

- ♥ Several Economists says that GST in India would impact negatively on the real estate market. It would add up to 8 percent to the cost of new homes and reduce demand by about 12 percent.
- ♥ Another criticism is that CGST, SGST are nothing but new names for Central Excise/Service Tax, VAT and CST. Hence, there is no major reduction in the number of tax layers.
- ♥ A number of retail products currently have only four percent tax on them. After GST, garments and clothes could become more expensive.
- ♥ The aviation industry would be affected. Service taxes on airfares currently range from six to nine percent. With GST, this rate will surpass fifteen percent and effectively double the tax rate.
- ♥ Adoption and migration to the new GST system would involve teething troubles and learning for the entire ecosystem.