DIRECTORATE OF EDUCATION
Govt. of NCT, Delhi

SUPPORT MATERIAL
(2024-2025)

Class : XI

BUSINESS STUDIES

Under the Guidance of

Sh. Ashok Kumar
Secretary (Education)

Sh. R.N. SHARMA
Director, Education

Dr. Rita Sharma
Addl. DE (School & Exam)

Coordinators

Sh. Sanjay Subhas Kr.
DDE (Exam)

Smt. Ritu Singhal
OSD (Exam)

Dr. Raj Kumar
OSD (Exam)

Mr. Krishan Kumar
OSD (Exam)

Production Team

Anil Kumar Sharma

Published at Delhi Bureau of Text Books , 25/2 Institutional Area, Pankha Road, New Delhi-110058 by **Rajesh Kumar,** Secretary, Delhi Bureau of Text Books and Printed by Supreme Offset Press, Greater Noida, U.P.

ASHOK KUMAR
IAS

सत्यमेव जयते

सचिव (शिक्षा)
राष्ट्रीय राजधानी क्षेत्र
दिल्ली सरकार
पुराना सचिवालय, दिल्ली-110054
दूरभाषः 23890187 टेलीफैक्स : 23890119

Secretary (Education)
Government of National Capital Territory of Delhi
Old Secretariat , Delhi-110054
Phone : 23890187, Telefax : 23890119
E-mail : secyedu@nic.in

DE.5\228\Exam\Message/SM\2018\555
Dated: 01/07/2024

MESSAGE

In the profound words of Dr. Sarvepalli Radhakrishnan, **"The true teachers are those who help us think for ourselves."**

Every year, our teams of subject experts shoulder the responsibility of updating the Support Material to synchronize it with the latest changes introduced by CBSE. This continuous effort is aimed at empowering students with innovative approaches and techniques, thereby fostering their problem-solving skills and critical thinking abilities.

I am confident that this year will be no exception, and the Support Material will greatly contribute to our students' academic success.

The development of the support material is a testament to the unwavering dedication of our team of subject experts. It has been designed with the firm belief that its thoughtful and intelligent utilization will undoubtedly elevate the standards of learning and continue to empower our students to excel in their examinations.

I wish to extend my heartfelt congratulations to the entire team for their invaluable contribution in creating this immensely helpful resource for our students.

Wishing all our students a promising and bright future brimming with success.

(ASHOK KUMAR)

R.N. SHARMA, IAS
Director, Education & Sports

सत्यमेव जयते

Directorate of Education
Govt. of NCT of Delhi
Room No. 12, Old Secretariat
Near Vidhan Sabha,
Delhi-110054
Ph.: 011-23890172
E-mail : diredu@nic.in

DE.5/228/Exam/Message/SM/2018/576
Dated. 04/07/2024

MESSAGE

It brings me great pleasure to present the support material specifically designed for students of classes IX to XII by our dedicated team of subject experts. The Directorate of Education remains resolute in its commitment to empower educators and students alike, extending these invaluable resources at no cost to students attending Government and Government-Aided schools in Delhi.

The support material epitomizes a commendable endeavour towards harmonizing content with the latest CBSE patterns, serving as a facilitative tool for comprehending, acquiring and honing essential skills and competencies stipulated within the curriculum.

Embedded within this initiative is a structured framework conducive to nurturing an analytical approach to learning and problem-solving. It is intended to prompt educators to reflect upon their pedagogical methodologies, forging an interactive conduit between students and academic content.

In the insightful words of Rabindranath Tagore, **"Don't limit a child to your own learning, for he was born in another time."**

Every child is unique, with their own interests, abilities and potential. By allowing children to learn beyond the scope of our own experiences, we support their individual growth and development, helping them to reach their full potential in their own right.

May every student embrace the joy of learning and be empowered with the tools and confidence to navigate and shape the future.

(R. N. SHARMA)

Dr. RITA SHARMA
Additional Director of Education
(School/Exam)

सत्यमेव जयते

Govt. of NCT of Delhi
Directorate of Education
Old Secretariat, Delhi-110054
Ph.: 23890185

D.O. No DE.5/228/Exam/Message/SM/2018/570
Dated: 02/07/2024

MESSAGE

"Children are not things to be molded, but are people to be unfolded." - Jess Lair

In line with this insightful quote, the Directorate of Education, Delhi, has always made persistent efforts to nurture and unfold the inherent potential within each student. This support material is a testimony to this commitment.

The support material serves as a comprehensive tool to facilitate a deeper understanding of the curriculum. It is crafted to help students not only grasp essential concepts but also apply them effectively in their examinations. We believe that the thoughtful and intelligent utilization of these resources will significantly enhance the learning experience and academic performance of our students.

Our expert faculty members have dedicated themselves to the support material to reflect the latest CBSE guidelines and changes. This continuous effort aims to empower students with innovative approaches, fostering their problem-solving skills and critical thinking abilities.

I extend my heartfelt congratulations to the entire team for their invaluable contribution to creating a highly beneficial and practical support material. Their commitment to excellence ensures that our students are well-prepared to meet the challenges of the CBSE examinations and beyond.

Wishing you all success and fulfilment in your educational journey.

(Dr. Rita Sharma)

DIRECTORATE OF EDUCATION
Govt. of NCT, Delhi

SUPPORT MATERIAL
(2024-2025)

BUSINESS STUDIES

Class : XI

NOT FOR SALE

PUBLISHED BY : DELHI BUREAU OF TEXTBOOKS

भारत का संविधान

उद्देशिका

हम, भारत के लोग, भारत को एक [1][**संपूर्ण प्रभुत्व-संपन्न समाजवादी पंथनिरपेक्ष लोकतंत्रात्मक गणराज्य**] बनाने के लिए, तथा उसके समस्त नागरिकों को :

सामाजिक, आर्थिक और राजनैतिक **न्याय,**

विचार, अभिव्यक्ति, विश्वास, धर्म

और उपासना की **स्वतंत्रता,**

प्रतिष्ठा और अवसर की **समता**

प्राप्त कराने के लिए,

तथा उन **सब में**

व्यक्ति की गरिमा और [2][**राष्ट्र की एकता और अखंडता**] सुनिश्चित करने वाली **बंधुता**

बढ़ाने के लिए

दृढ़संकल्प होकर **अपनी इस संविधान सभा में** आज तारीख 26 नवंबर, 1949 ई. को **एतद्द्वारा इस संविधान को अंगीकृत, अधिनियमित और आत्मार्पित करते हैं।**

---

1. संविधान (बयालीसवां संशोधन) अधिनियम, 1976 की धारा 2 द्वारा (3.1.1977 से) "प्रभुत्व-संपन्न लोकतंत्रात्मक गणराज्य" के स्थान पर प्रतिस्थापित।
2. संविधान (बयालीसवां संशोधन) अधिनियम, 1976 की धारा 2 द्वारा (3.1.1977 से) "राष्ट्र की एकता" के स्थान पर प्रतिस्थापित।

THE CONSTITUTION OF INDIA

PREAMBLE

WE, THE PEOPLE OF INDIA, having solemnly resolved to constitute India into a [1]**[SOVEREIGN SOCIALIST SECULAR DEMOCRATIC REPUBLIC]** and to secure to all its citizens :

JUSTICE, social, economic and political;

LIBERTY of thought, expression, belief, faith and worship;

EQUALITY of status and of opportunity; and to promote among them all

FRATERNITY assuring the dignity of the individual and the [2][unity and integrity of the Nation];

IN OUR CONSTITUENT ASSEMBLY this twenty-sixth day of November, 1949 do **HEREBY ADOPT, ENACT AND GIVE TO OURSELVES THIS CONSTITUTION.**

---

1. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Sovereign Democratic Republic" (w.e.f. 3.1.1977)
2. Subs. by the Constitution (Forty-second Amendment) Act, 1976, Sec.2, for "Unity of the Nation" (w.e.f. 3.1.1977)

भारत का संविधान

भाग 4क

नागरिकों के मूल कर्तव्य

अनुच्छेद 51 क

मूल कर्तव्य – भारत के प्रत्येक नागरिक का यह कर्तव्य होगा कि वह –

(क) संविधान का पालन करे और उसके आदर्शों, संस्थाओं, राष्ट्रध्वज और राष्ट्रगान का आदर करे;

(ख) स्वतंत्रता के लिए हमारे राष्ट्रीय आंदोलन को प्रेरित करने वाले उच्च आदर्शों को हृदय में संजोए रखे और उनका पालन करे;

(ग) भारत की संप्रभुता, एकता और अखंडता की रक्षा करे और उसे अक्षुण्ण बनाए रखे;

(घ) देश की रक्षा करे और आह्वान किए जाने पर राष्ट्र की सेवा करे;

(ङ) भारत के सभी लोगों में समरसता और समान भ्रातृत्व की भावना का निर्माण करे जो धर्म, भाषा और प्रदेश या वर्ग पर आधारित सभी भेदभावों से परे हो, ऐसी प्रथाओं का त्याग करे जो महिलाओं के सम्मान के विरुद्ध हों;

(च) हमारी सामासिक संस्कृति की गौरवशाली परंपरा का महत्त्व समझे और उसका परिरक्षण करे;

(छ) प्राकृतिक पर्यावरण की, जिसके अंतर्गत वन, झील, नदी और वन्य जीव हैं, रक्षा करे और उसका संवर्धन करे तथा प्राणिमात्र के प्रति दयाभाव रखे;

(ज) वैज्ञानिक दृष्टिकोण, मानववाद और ज्ञानार्जन तथा सुधार की भावना का विकास करे;

(झ) सार्वजनिक संपत्ति को सुरक्षित रखे और हिंसा से दूर रहे;

(ञ) व्यक्तिगत और सामूहिक गतिविधियों के सभी क्षेत्रों में उत्कर्ष की ओर बढ़ने का सतत् प्रयास करे, जिससे राष्ट्र निरंतर बढ़ते हुए प्रयत्न और उपलब्धि की नई ऊँचाइयों को छू सके; और

(ट) यदि माता-पिता या संरक्षक है, छह वर्ष से चौदह वर्ष तक की आयु वाले अपने, यथास्थिति, बालक या प्रतिपाल्य को शिक्षा के अवसर प्रदान करे।

Constitution of India

Part IV A (Article 51 A)

Fundamental Duties

It shall be the duty of every citizen of India —

(a) to abide by the Constitution and respect its ideals and institutions, the National Flag and the National Anthem;

(b) to cherish and follow the noble ideals which inspired our national struggle for freedom;

(c) to uphold and protect the sovereignty, unity and integrity of India;

(d) to defend the country and render national service when called upon to do so;

(e) to promote harmony and the spirit of common brotherhood amongst all the people of India transcending religious, linguistic and regional or sectional diversities; to renounce practices derogatory to the dignity of women;

(f) to value and preserve the rich heritage of our composite culture;

(g) to protect and improve the natural environment including forests, lakes, rivers, wildlife and to have compassion for living creatures;

(h) to develop the scientific temper, humanism and the spirit of inquiry and reform;

(i) to safeguard public property and to abjure violence;

(j) to strive towards excellence in all spheres of individual and collective activity so that the nation constantly rises to higher levels of endeavour and achievement;

*(k) who is a parent or guardian, to provide opportunities for education to his child or, as the case may be, ward between the age of six and fourteen years.

Note: The Article 51A containing Fundamental Duties was inserted by the Constitution (42nd Amendment) Act, 1976 (with effect from 3 January 1977).

*(k) was inserted by the Constitution (86th Amendment) Act, 2002 (with effect from 1 April 2010).

LIST OF GROUP LEADER AND SUBJECT EXPERTS FOR PREPARATION/REVIEW OF SUPPORT MATERIAL

CLASS-XI

S.No.	*Subject*	*Subject Expert*	*Designation*	*School*
1.	Business Studies	Ms. Neeru Prabhakar	Vice-Principal	SKV No. 1, Keshawpuram
2.		Ms. Jyoti Kaushik Mannan	Lecturer (Commerce)	SOE, Sec-23, Rohini
3.		Ms. Anuradha Bose	Lecturer (Commerce)	RPVV, B-Block, Yamuna Vihar
4.		Mr. Mahesh Jain	Lecturer (Commerce)	GBSSS, G-Block Vikaspuri
5.		Ms. Lucky Solanki	Lecturer (Commerce)	S.V Mansarover Garden
6.		Ms. Anita Kardam	Lecturer (Commerce)	School of Excellence, Sec-22, Dwarka

BUSINESS STUDIES (Code No. 054)

Rationale

The courses in Business Studies and Accountancy are introduced at + 2 stage of Senior Secondary Education as formal commerce education is provided after first ten years of schooling. Therefore, it becomes necessary that instructions in these subjects are given in such a manner that students have a good understanding of the principles and practices bearing in business (trade and industry) as well as their relationship with the society.

Business is a dynamic process that brings together technology, natural resources and human initiative in a constantly changing global environment. To understand the framework in which a business operates, a detailed study of the organisation and management of business processes and its interaction with the environment is required. Globalisation has changed the way organizations transact their business.

Information Technology is becoming a part of business operations in more and more organisations. Computerised systems are fast replacing other systems. E-business and other related concepts are picking up fast which need to be emphasized in the curriculum.

The course in Business Studies prepares students to analyse, manage, evaluate and respond to changes which affect business. It provides a way of looking at and interacting with the business environment. It recognizes the fact that business influences and is influenced by social, political, legal and economic forces.

It allows students to appreciate that business is an integral component of society and develops an understanding of many social and ethical issues.

Therefore, to acquire basic knowledge of the business world, a course in Business Studies would be useful. It also informs students of a range of study and work options and bridges the gap between school and work.

Objectives:

- To inculcate business attitude and develop skills among students to pursue higher education, world of work including self employment;
- To Develop students with an understanding of the processes of business and its environment;
- To acquaint students with the dynamic nature and interdependent aspects of business;
- To develop an interest in the theory and practice of business, trade and industry;
- To familiarize students with theoretical foundations of the process of organizing and managing the operation of a business firm;
- To help students appreciate the economic and social significance of business activity and the social cost and benefits arising there from;
- To acquaint students with the practice of managing the operations and resources of business;
- To enable students to act more effectively and responsibility as consumers, employers, employees and citizens

BUSINESS STUDIES (Code No. 054)
CLASS–XI (2023-24)

Theory: 80 Marks **3 Hours**
Project: 20 Marks

Units		Periods	Marks
Part A	**Foundation of Business**		
1	Nature and Purpose of Business	18	16
2	Forms of Business organisations	24	
3	Public, Private and Global Enterprises	18	14
4	Business Services	18	
5	Emerging Modes of Business	10	10
6	Social Responsibility of Business and Business Ethics	12	
	Total	**100**	**40**
Part B	**Finance and Trade**		
7	Sources of Business Finance	30	20
8	Small Business	16	
9	Internal Trade	30	20
10	International Business	14	
	Total	**90**	**40**
	Project Work (One)	**30**	**20**

Part A: Foundation of Business
Concept includes meaning and features

Unit 1: Evolution and Fundamentals of Business

Content	After going through this unit, the student/learner would be able to:
History of Trade and Commerce in India: Indigenous Banking System, Rise of Intermediaries, Transport, Trading Communities: Merchant Corporation, Major Trade Centres, Major Imports and Exports, Position of India Sub-Continent in the World Economy.	• To acquait the History of Trade and Commerce in India
Business–meaning and characteristics	• Understand the meaning of business with special reference to economic and non-economic activity. • Discuss the characteristics of business

Business, profession and employment-Concept	• Understand the concept of business, profession and employment. • Differentiate between business, profession and employment.
Objectives of business	• Appreciate the economic and social objectives of business. • Examine the role of profit in business.
Classification of business activities-Industry and Commerce	• Understand the broad categories of business activities- industry and commerce.
Industry-types: primary, secondary, tertiary Meaning and subgroups	• Describe the various types of industries.
Commerce-trade: (types-internal, external; wholesale and retail) and auxiliaries to trade; (banking, insurance, transportation, warehousing, communication, and advertising) - meaning	• Discuss the meaning of commerce, trade and auxiliaries to trade. • Discuss the meaning of different types of trade and auxiliaries to trade. • Examine the nature and causes of business risks.
Business risk-Concept	• Understand the concept of risk as a special characteristic of business. • Examine the nature and causes of business risks.

Unit 2: Forms of Businesss organizations

Sole Proprietorship-Concept, merits and limitations.	• List the different forms of business organizations and understand their meaning. • Identify and explain the concept, merits and limitations of Sole Proprietorship.
Partnership-Concept, types, merits and limitation of partnership, registration of a partnership firm, partnership deed. Types of partners	• Identify and explain the concept, merits and limitations of a Partnership firm. • Understand the types of partnership on the basis of duration and on the basis of liability. • State the need for registration of a partnership firm. • Discuss types of partners-active, sleeping, secret, nominal and partner by estoppel.

Hindu Undivided Family Business: Concept	• Understand the concept of Hindu Undivided Family Business.
Cooperative Societies-Concept, merits, and limitations.	• Identify and explain the concept, merits and limitations of Cooperative Societies. • Understand the concept of consumers, producers, marketing, farmers, credit and housing co-operatives.
Company - Concept, merits and limitations, Types: Private, Public and One Person Company - Concept	• Identify and explain the concept, merits and limitations of private and public companies. • Understand the meaning of one person company. • Distinguish between a private company and a public company.
Formation of company - Stages, important documents to be used in formation of a compnay	• Highlight the stages in the formation of a company. • Discuss the important documents used in the various stages in the formation of a company.
Choice of form of business organization	• Distinguish between the various forms of business organizations. • Explain the factors that influence the choice of a suitable form of business organization.

Unit 3: Public, Private and Global Enterprises

Public sector and private sector enterprises—Concept	• Develop an understanding of Public sector and private sector enterprises
Forms of public sector enterprises: Departmental Undertaking, Statutory Corporation and Government Company	• Identify and explain the features, merits and limitations of different forms of public sector enterprises
Global Enterprises - Features joint venture Public private partnership - concept	• Develop an understanding of global enterprises, public private partnership by studying their meaning and features..

Unit 4: Business Services

Business services — meaning and types. Banking: Types of bank account-savings, current, recurring, fixed deposit and multiple option deposit account	• Understand the meaning and types of business services. • Discuss the meaning and types of Business service Banking • Develop an understanding of different types of bank account

Banking Services with particular reference to Bank Draft, Bank Overdraft, Cash credit. E-Banking meaning, Types of digital payments	• Develop an understanding of the different services provided by banks
Insurance — Principles. Types – life, health fire and marine insurance – concept	• Recall the concept of insurance • Understand Utmost Good Faith, Insurable Interest, Indemnity, Contribution, Doctrine of Subrogation and Causa Proxima as principles of insurance • Discuss the meaning of different types of insurance-life, health, fire, marine insurance.
Postal Services - Mail, Registered Post, Parcel, Speed Post, Courier - meaning	• Understand the utility of different telecom services

Unit 5: Emerging Modes of Business

E - business: concept, scope and benefits	• Give the meaning of e-business. • Discuss the scope of e-business. • Appreciate the benefits of e-business • Distinguish e-business form traditional business.

Unit 6: Social Responsibility of Business and Business Ethics

Concept of social responsibility	• State the concept of social responsibility.
Case of social responsibility	• Examine the case for social responsibility.
Responsibility towards owners, investors, consumers, employees, government and community.	• identify the social responsibility towards different interest groups.
Role of business in environment protection	• Appreciate the role of business in environment protection.
Business Ethics - Concept and Elements	• State the concept of business ethics. • Describe the elements of business ethics.

Part B: Finance and Trade

Unit 7: Sources of Business Finance

Concept of business finance	• State the meaning, nature and importance of business finance

Owners funds- equity shares, preference share, retained earnings	• Classify the various sources of funds into owner's funds • State the meaning of owners' funds.
Borrowed funds: debentures and bonds, loans from financial institutions and commercial banks, public deposits, trade credit, Inter Corporate Deposits (ICD)	• State the meaning of borrowed funds. • Discuss the concept of debentures, bonds, loans from financial institutions and commercial banks, Trade credit and inter corporate deposits. • Distinguish between owner's funds and borrowed funds.

Unit 8: Small Busines and Enterprises

Entrepreneurship Development (ED): Concept, Characteristics and Need. Process of Entrepreneurship Development: Startup. Intellectual Property Rights and Entrepreneurship	• Understand the concept of Entrepreneurship Development (AND), Intellectual Property Rights
Small scale enterprise and defined by MSMED Act 2006 (Micro, Small and Medium Enterprises Development Act)	• Understand the meaning of small business
Role of small business in India with special reference to rural areas	• Discuss the role of small business in India
Government schemes and agencies for small scale industries: National Small Industries Corporation (NSIC) and District Industries Centre (DIC) with special reference to rural, backward areas	• Appreciate the various Government schemes and agencies for development of small scale Industries. NSIC and DIC with special reference to rural, backward area

Unit 9: Internal Trade

Internal trade - meaning and types services rendered by a wholesaler and a retailer	• State the meaning and types of internal trade. • Appreciate the services of wholesalers and retailers.
Types of retail-trade-itinerant and small scale fixed shop retailers	• Explain the different types of retail trade.

Large scale retailers-Departmental store, chain store-concept	• Highlight the distinctive features of departmental store, chain stores and mail order business.
GST (Goods and Services Tax): Concept and key-features	• Understand the concept of GST

Unit 10: International Trade

International trade: concept and benefits	• Understand the concept of international trade. • Describe the scope of international trade to the nation and business firms.
Export Trade - Meaning and procedure	• State the meaning and objectives of export trade. • Explain the important steps involved in executing export trade.
Import Trade - Meaning and procedure	• State the meaning and objectives of import trade. • Discuss the important steps involved in executing import trade.
Documents involved in international Trade; indent, letter of credit, shipping order, shipping bill, mate's receipt (DA/DP)	• Develop an understanding of the various documents used in international trade. • Identify the specimen of the various documents used in international trade. • Highlight the importance of the documents needed in connection with international trade transactions
World Trade Organization (WTO) meaning objectives	• State the meaning of World Trade Organization. • Discuss the objectives of World Trade Organization in promoting international trade.

Unite 11 : Project Work

As per CBSE guidelines.

Suggested Question Paper Design
Business Studies (Code No. 054)
Class XI (2023-24)
March 2024 Examination

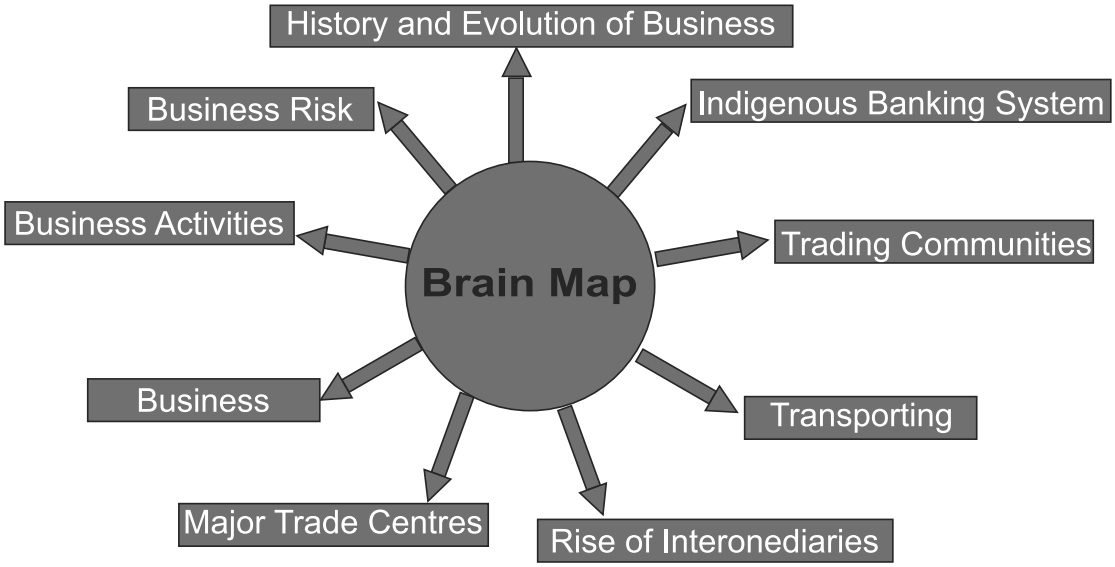
Marks:80 **Duration: 3 hrs.**

SN	Typology of Questions	Marks	Percentage
1	**Remembering and Understanding:** Exhibit memory of previously learned material by recalling facts, terms, basic concepts, and answers. Demonstrate understanding of facts and ideas by organizing, comparing, translating, interpreting, giving descriptions, and stating main ideas	44	55%
2	**Applying:** Solve problems to new situations by applying acquired knowledge, facts, techniques and rules in a different way.	19	23.75%
3	**Analysing, Evaluating and Creating:** Examine and break information into parts by identifying motives or causes. Make inferences and find evidence to support generalization. Present and defend opinion by making judgments about information, validity of ideas, or quality of work bases on a set of criteria. Compile information together in a different way by combining elements in a new pattern for proposing alternative solutions	17	21.25%
	Total	**80**	**100%**

CONTENT

Chapter	Topic	Pg. No.
1.	Evolution and Fundamentals of Business	1
2.	Forms of Business Organization	30
3.	Private, Public and Global Enterprises	62
4.	Business Services	79
5.	Emerging Modes of Business	107
6.	Social Responsibility of Business and Business Ethics	118
7.	Sources of Business Finance	133
8.	Small Business and Enterprises	154
9.	Internal Trade	176
10.	International Business	198
	Practice Paper	222
	Marking Scheme	250

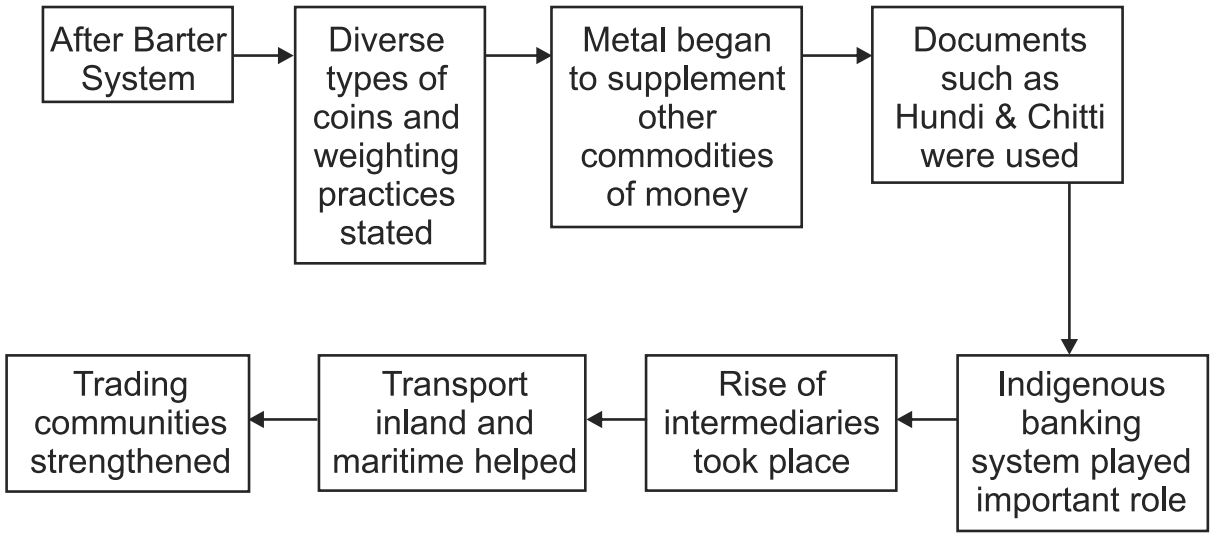
CHAPTER 1
EVOLUTION AND FUNDAMENTALS OF BUSINESS



Trade and commerce has played an important role in growth of an economy from time immemorial. Example, Harrappa and Mohenjodaro were commercial cities in 3rd millennium BC in Indian sub continent. Physical environment of Indian subcontinent has helped it in evolving as a major power in economic world from ancient times.

The silk route facilitated its further progress in terms of domestic and international trade.

1. Spread of trade and Commerce



2. Indigenous banking system

— Helped in lending money and financing domestic and foreign trade with currency & letter of credit.

— People began to deposit precious metals with bankers called seths.

— Money become an instrument for supplying the manufacturers with a means of producing more goods.

Hundi: It was an instrument of exchange which was used in Indian subcontinent. It involved a contract which :-

(i) Warrants the payment of money, the promise or order which is unconditional

(ii) Capable of change through transfer by valid negotiation.

Hundi as practised by Indian Merchant Communities

Name of Hundi	Broader Classification	Functions of Hundi
Dhani-jog	Darshani	Payable to any person-no liability over who received payment.
Sah- jog	Darshani	Payable to a specific person, someone 'respectable'. Liability over who received payment.
Firman-jog	Darshani	*Hundi* made payable to order.
Dekhan-har	Darshani	Payable to the presenter or bearer.
Darshani-jog	Muddati	Payable to any person-no liability over who received payment, but payment over a fixed term.
Firman-jog	Muddati	Hundi made payable to order following a fixed term.

Jokhmi	Muddati	Drawn against dispatched goods. If goods lost in transit, the drawer or holder bears the costs, and the Drawee carries no liability.

3. Trading communities

In different parts of the country, different communities dominated trade.

(i) Punjabi and Multani merchants handled business in the nouthern region, while the **Bhats** managed the trade in the states of Gujarat and Rajasthan

(ii) In western India, these groups are called Mahajan. **Chatt** were important traders from the South.

(iii) In Urban centres, such as Ahemdabad, the Mahajan community collectively represented by their chief called **Nagarseth**.

(iv) Other Urban groups included professional classes like Hakim and vaid (Physician), Wakil (Lowyer), Pundit or Mulla (teachers), Painters, musicians, calligraphers etc..

Merchant corporations were formed: Merchant communities derived power & prestige from guilds which were autonomous corporations formed to protect interest of traders.

These corporations framed their own rules of membership and professional code of conduct which even kings were supposed to accept and respect.

The guild chief dealt directly with loan or tax collections and settled the market toll on behalf of its fellow merchants at a fixed sum of money.

4. Transport

In the ancient time, transport by Land and (Sea) water was popular.

5. Rise of Intermediaries

It includes brokers, commission agents, distributors for whole sale & retail goods

(I) Intermediaries provided security to the manufacturers by taking responsibility for risk involved.

(ii) Emergence of credit transactions and availability of loans & advances enhanced commercial operations.

6. Major Trade Centres

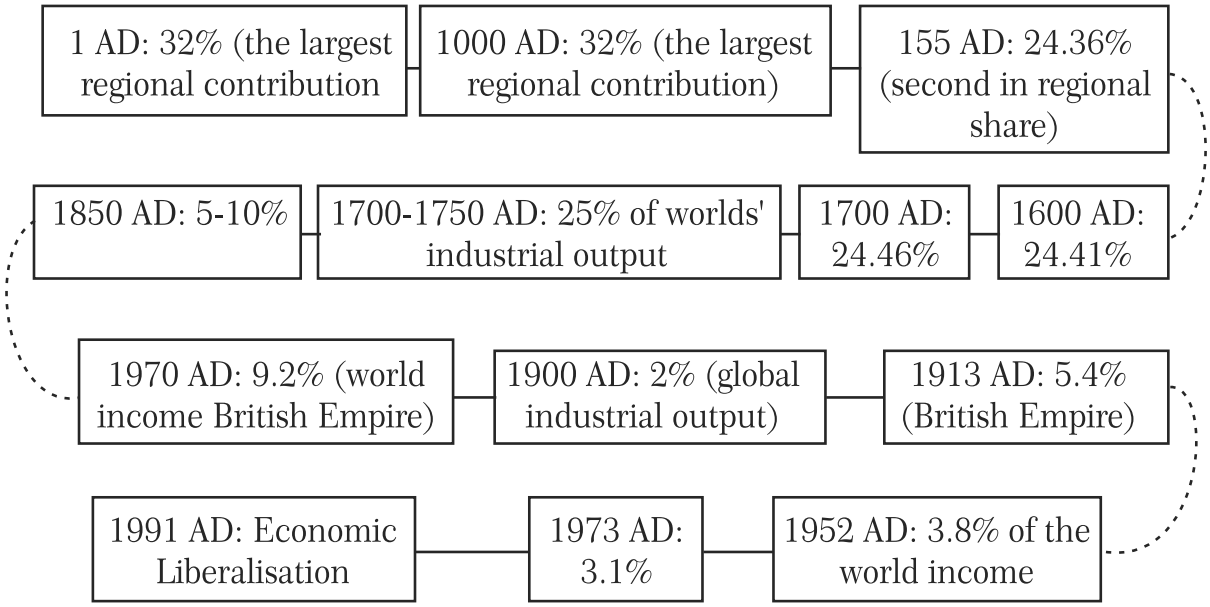
Patliputra, Peshwar, Taxila, Indraprastha, Mathura, Varanasi, Mithila, Ujjain, Surat, Kanchi, Madura, Broach, Kaveri pata, Tamralipti.

Major Exports and Imports

Exports: Spices, wheat, sugar, indigo, opium, sebame oil, cotton, live animals & animal products like hides, furs, pearls etc.

Imports: Horses, animal products, Chinese silk flax and linen, gold, silver, tin etc.

Position of Indian Subcontinents in World Economy (IAD upto 1991)



After independence five year plans were initiated. Despite these efforts Indian economy could not develop at a rapid pace. Lack of capital formation, rise in population, huge expenditure on defence and inadequate infrastructure were major reasons.

Finally in 1991 India agreed to economic liberalisation. Because of this now India is one of the fastest growing economies of the world. Initiatives like 'Digital India',' 'Make in India', 'Skill India' are expected to help the economy in terms fo exports and imports.

Trade and commerce has played an important role in growth of an

economy from time immemorial eg. Harappa & Mohanjodaro were commercial cities in 3rd millennium BC in Indian sub continent. Physical environment of Indian subcontinent has helped if in evolving as a major power in economic world from ancient times. The silk route facilitated its further progress of domestic and international trade.

Q.1. What is Hundi?

Q.2. How were the different types of Hundi in use by trades in ancient times?

Q.3. Name any two commercial cities of ancient India.

Q.4. Write any four major exports and imports in ancient time.

Q.5. Why do you think Indian subcontinent stood out in terms of trade and commerce in ancient times?

Q.6. What was the role of Indigenous Banking system in enhancing trade & commerce?

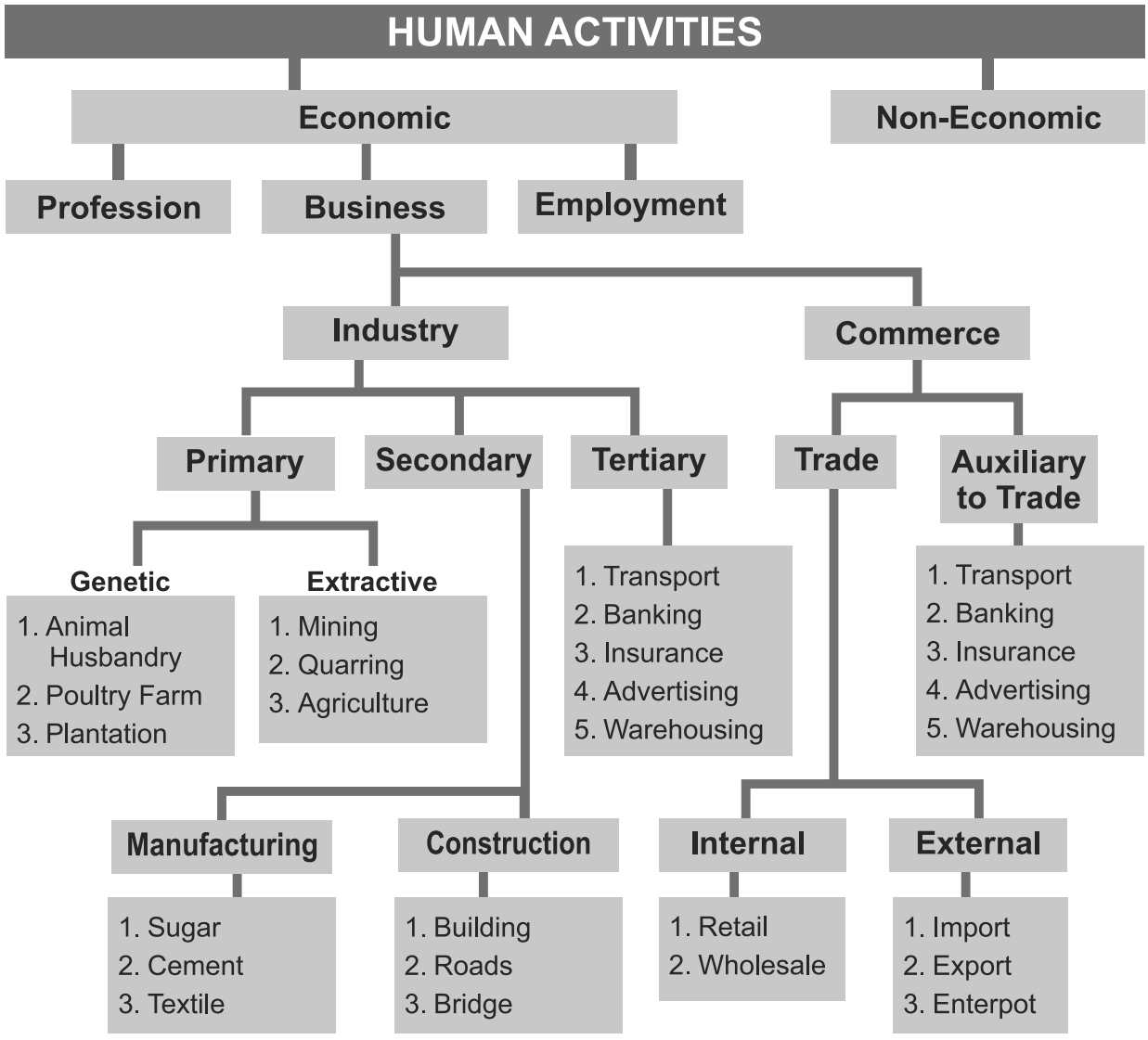
Q.7. Name any two trading communities of ancient times.

Q.8. How did the position of Indian sub continent in world economy change form being referred British was ruling India?

Business : Meaning and Characteristics

All Human beings have different types of needs. So in order to fulfill those needs they have to performs some or the other activity. Human activities are classified into Economic & non economic activities.

Basic Meaning	Economics	Non-Economic
Meaning	Those activities whose Objective is to earn money and to create Wealth.	Those activities whose aim is not to earn money but to satisfy social psychological and emotional needs. For example love, sympathy, patriotism etc.
Objective	Main aim to generate Good or services to earn profit.	Main objective is to achieve Mental satisfaction.
Examples	- People working in factories. - Cooking food in a restaurant. - A teacher teaching in a school.	- A house Wife cooking food for her family. - A teacher training his daughter at home.



Concept of Business

It is an economic activity which involves production, purchase, sale or distribution of goods and/ or services with a purpose of earning projects through the satisfaction of human needs.

Characteristics of Business :-

1. **An economic activity :-** Business in considered as an economic activity as it is undertaken with the objective of earning money.
2. **Production or procurement of goods and services :-** Business includes all the activities concerned with the production of procurement of goods & services for sales. Services include transportation, banking, Insurance etc.
3. **Sale or exchange of goods & service :-** There should be sale or exchange of goods and service between the seller & the buyer. If goods are produced not for the purpose of sale but say for internal consumption it cannot be called a business activity.
4. **Dealing in goods & services on a regular basis :-** There should be regularity of dealings or exchange of goods & services. One single transaction of sale or purchase does not constitute business.
5. **Profit Earning :-** The main purpose of business is to earn profit. A business cannot survive without making profits. So businessman try to maximize profit by increasing the volume of sales or reducing costs.
6. **Uncertainty of return :-** Every business invests money with the objective of earning profit but the amount of profit earned may vary also there is always a possibility of losses.
7. **Element of Risk :-** All business activities carry some elements of risk because future is uncertain and business has no control over several factors like, strikes, fire , theft, change in consumer taste etc.

Discuss with teacher & peer group

Q.1 Prakash, a farmer went to the market and exchanged his rice with pulses. It is an economic activity ?

Q.2 Mohan sells his old dressing table on OLX for ₹4000. Is it a business activity ? Justify.

Q.3 Lalita , a housewife sells old newspaper of two months at ₹300, will you classify it as business activity ? Why?

Comparison of Business, Profession and Employment :-

Economic Activities

Basis	Business	Profession	Employment
Concept	It Refers to those economic activities which are connected with purchase, production and/or sale fo goods & services with the objective of earning profit.	It includes those activities which require special knowledge be skills in the occupation.	It refers to the occupation in which people work for others and get remuneration in return .
Example	- Fishing - Manufacturing Goods - Mining - Producing or selling of electronic goods - Banking	- Medical (Doctor) - Legal (Lawyer) - Accountancy (CA)	- Worker - Employee - Salesman

Basis of Difference	Business	Profession	Employment
1. Mode of Establishment	Starts after completing some legal formalities it needed.	Membership of a professional body and certificate of practice required.	Start after getting appointment letter.
2. Nature of Work	It involves buying & selling of goods and/ or services to the public.	Personalized services of expert nature.	Work allotted by the employer according to the contract.
3. Qualification	No minimum Qualification is necessary.	Professional Qualification and training required.	Qualification and training as prescribed by the employer.
4. Capital Investment	Capital needed according to its nature & size	Limited capital for established	No capital required.
5. Reward/Return	Profits	Professional Fee	Salary or wage

6. Risk	It involves high risk	The degree of risk is low	No risk in it
7. Code of conduct	No code of conduct	Professional code of conduct is to be followed.	The terms and conditions of services contract are to be followed.
8. Transfer of interest	Transfer possible with some formalities	Not Possible	Not Possible

Discuss with teacher and peer group

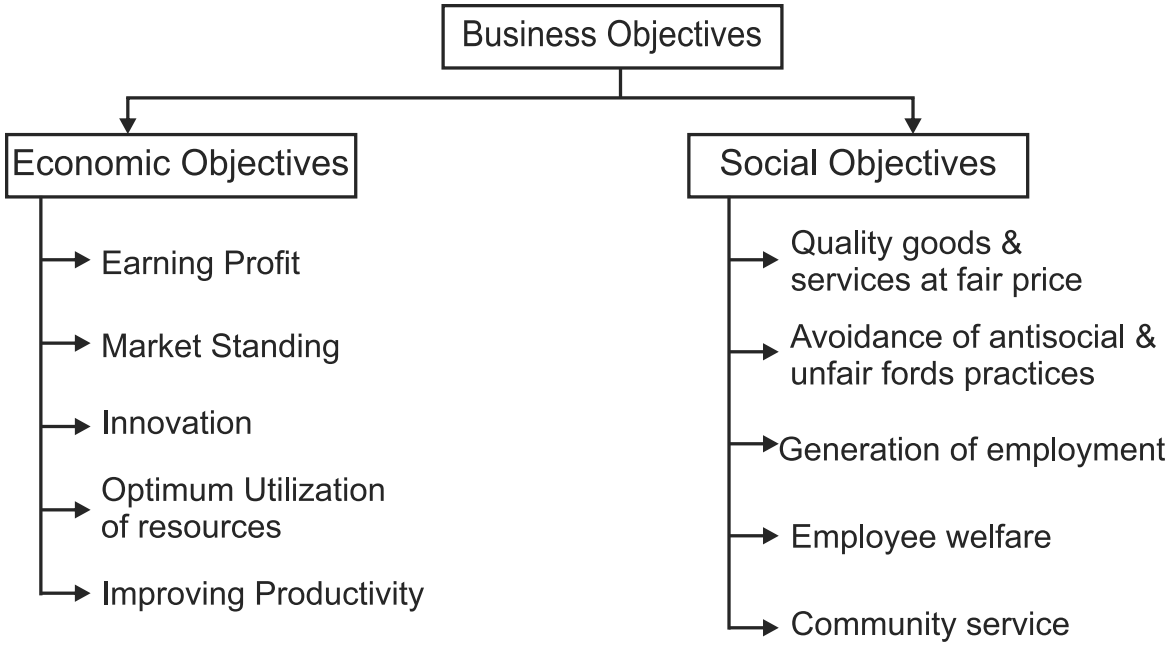
Q.1 Dr. Hussain is operating his own clinic. Classify his economic activity.

Q.2 Ranjana is managing her own bakery. What type of economic activity is she doing ?

Q. 3 John is working is Ranjana's bakery for a Salary of ₹10,000 per month. What is the nature of activity performed by him ?

Objectives of Business :- The objectives of business means the purpose for which a business is established and carried on. Proper selection of objectives is essential for the success of a business.

The Businessman always have multiple objectives. All objectives may be classified into two broad categories. These are (1) Economic objectives and (2) Social objectives.



1. Economic Objectives

Business is an economic activity and therefore, its purpose is to show economic results. The economic objectives of business are follows:-

(i) **Earning profit :** Profit means excess of income over the expenditure. The foremost and prime objective of every businessman is to earn profit. A business cannot serve without earning profit. Not only for survival but it is also required for growth and expansion of business.

(ii) **Market standing/creation of customer :** Business can survive for a longer period only if is able to capture a big share in the market & has market standing. It is possible only when business provides goods and services to satisfy the needs & wants of customers. Therefore, creation and satisfaction of customers (market) is an important objective of business.

(iii) **Innovations :** Innovation means making new products or adding new features of old products for making it more useful, improving methods of production & distribution exploring new markets, etc. In these days of competition, a business can be successful only when it creates new designs - better machines, improved techniques, new varieties etc.

(iv) **Optimum utilisation of resources :** It refers to the best use of men, material, money and machinery employed in business. The resources of business are scarce so these must be utilised in the best possible manner so that the business can get maximum benefit, from their resources.

(v) **Improving productivity :** It is used as a measure of efficiency. Every business enterprise must aim at greater productivity - to ensure continuous survival and growth. This objective can be achieved by reducing wastage and making efficient use of machines and equipments, human resources, money etc.

2. Social Objectives

Business is an integral part of society. It makes use of resources of society. It earns profit by selling its products or services to members of society. So it becomes obligatory on the part of the businessman to do something for the society. The important social objective of business

are as follows :

(i) **Quality goods and services at fair price :** The first social objective of business is to provide better quality product at reasonable price and in proper quantity on continuous basis to consumers.

Example :- Consumers look for ISI mark on electrical goods, FPO mark on food products, Hallmark on Jewellery.







(ii) **Avoidance of anti-social & unfair trade practices :** Anti-social practices include hoarding, black marketing and adulteration. Making false claims in advertisements to mislead and exploit people is an example of unfair trade practice. Business should not indulge in such practices.

(iii) **Generation of employment :** Now a days, employment is the biggest problem of society. Business should provide employment to more and more people living in the country. Handicapped & disabled people should be given extra care.

(iv) **Employee welfare :** Employees are a valuable asset and they make significant contributions towards the success of business. Another social objective of business, therefore, is to ensure welfare of employees by providing good working conditions. fair wages and facilities such as housing, medical and entertainment etc. such welfare facilities help to improve physical and mental health of employees.

(v) **Community service :** Business should contribute something to the society where it is established and operated. Library, dispensary, educational institutions etc. are certain contributions which a business can make and help in the development of community.

Role of Profit in Business

Business is established for the purpose of earning profit. Profit plays a very important role in business. The role of profit in business can be brought out by the following facts :-

(1) **For long survival :** Profit alone help a business to continue

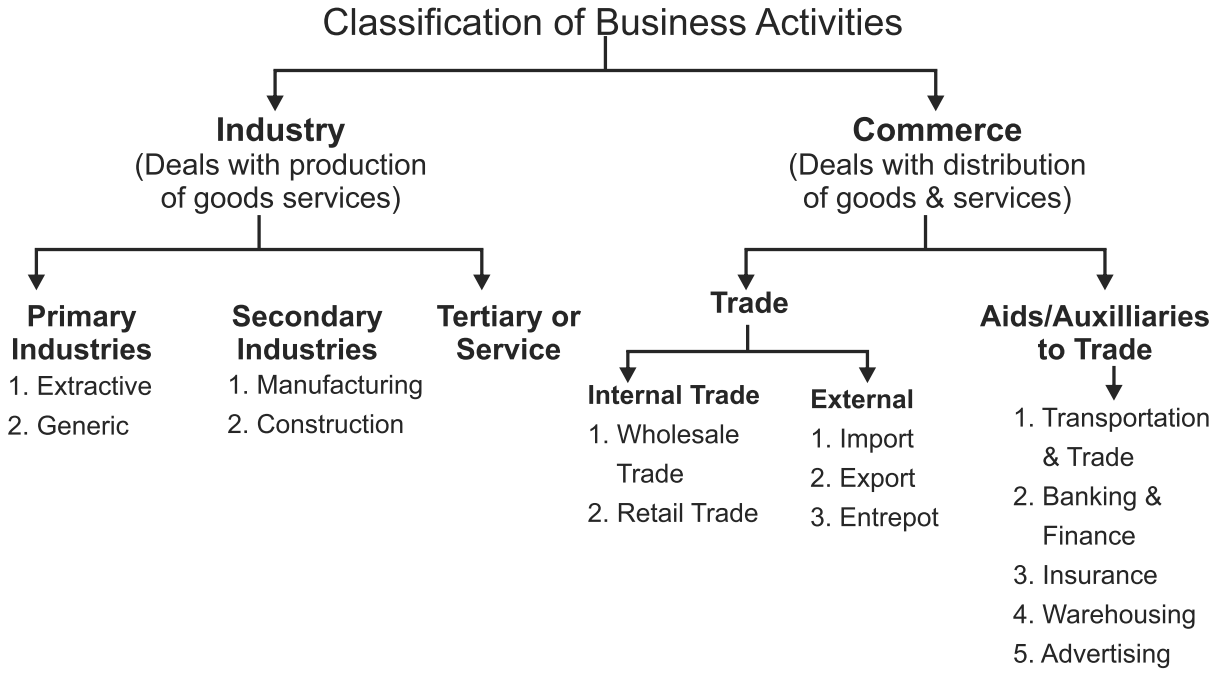
to exist for a long period. In the absence of profit the establishment of a particular business loses its justification.

(2) **For growth and expansion :** All businessmen want their business to expand and to grow. For development of business, additional capital is needed. Retained earnings is a very good source of capital.

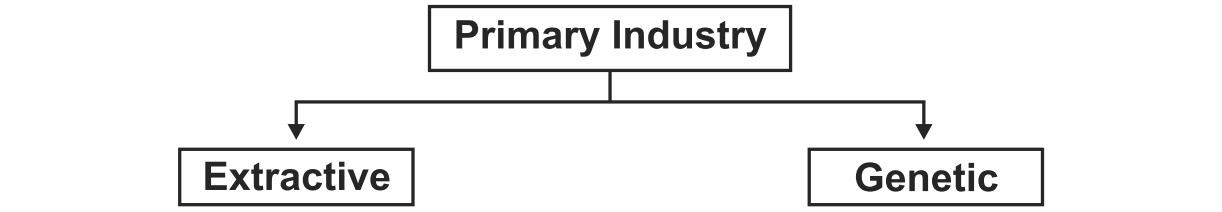
(3) **For increasing efficiency :** Profit is that power which motivates both the parties - owner and workers to do their best. As they know that in case of good profits they will get good compensation for their efforts, so it finally helps in increasing the efficiency of business.

(4) **For building prestige and recognition :** For gaining prestige in the society, business has to satisfy all the parties concerned. It has to supply good quality product/service at reasonable price to customers, adequate remuneration to employees, to pay sufficient dividend to the shareholders etc. and all these are possible only if the business is earning good profit.

Business Activities



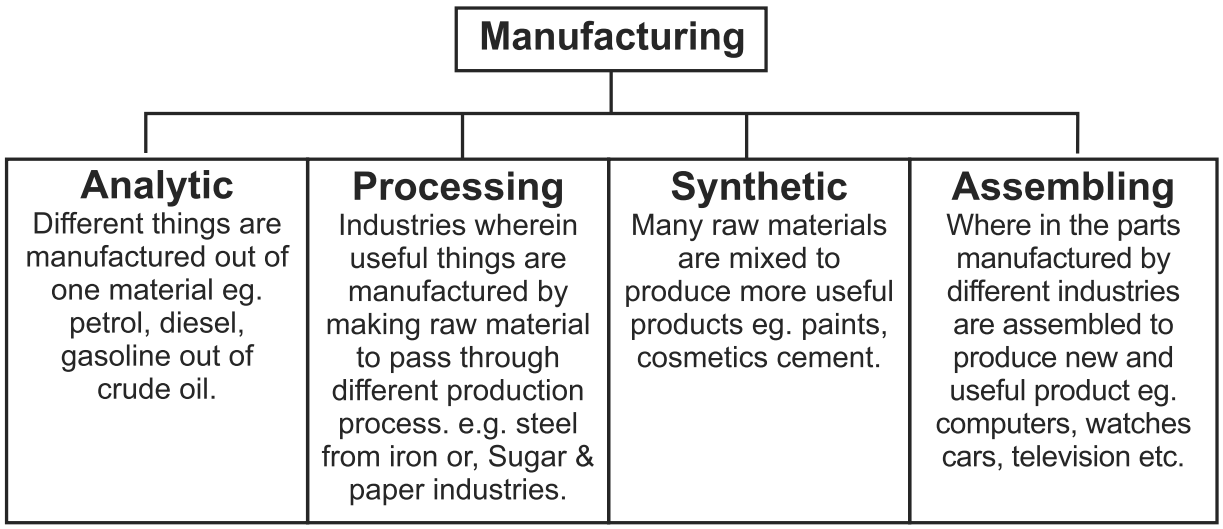
1. **PRIMARY INDUSTRY -** The primary industry includes those activities through which the natural resources are used to provide raw material for other industries.



Industry under which something is extracted out of earth, water or air eg. Coal, Iron, gas - Mining, Lumbering, Hunting & Fishing	Industries under which the breed of animals and vegetables are improved and made more useful. - Poultry Farms, dairy Farming, Fish Hatching, cattle breeding etc.

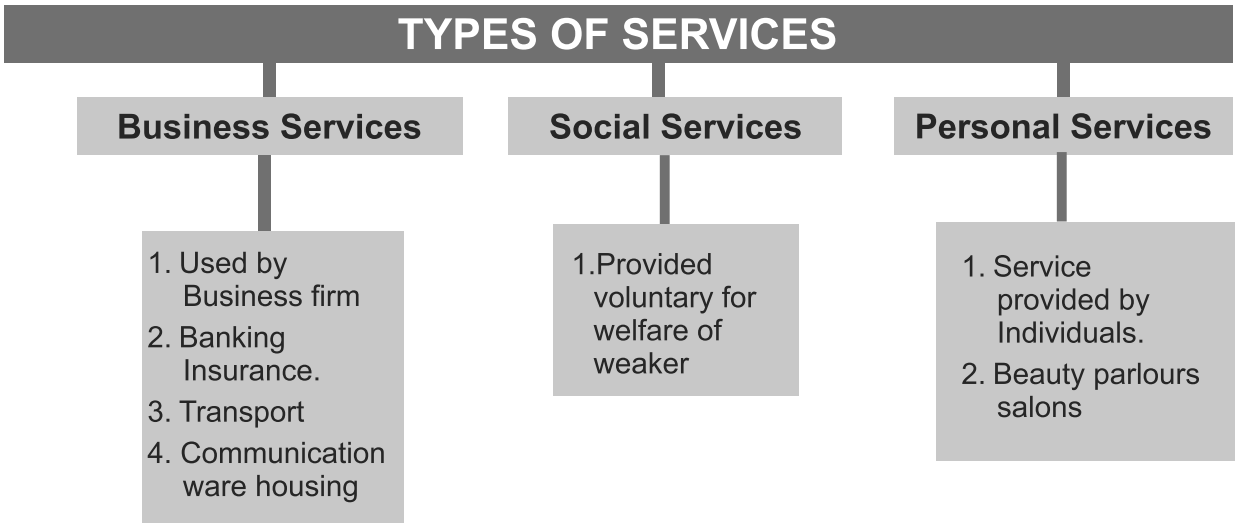
2. **SECONDARY INDUSTRY -** Under this industry new products are manufactured by using the previously produced things e.g. producing cotton is a primary industry and manufacturing cloth out of cotton is a secondary industry. It is of two types.

   i) **Manufacturing -** These industries convert raw materials or semi-finished products e.g. paper from bamboo, sugar from Sugar cane. It is further divided into four parts.



   ii) **Construction Industries -** Industries that are involved in the construction of building, dams, bridge, roads as well as tunnels and canals. It involves engineering and architectural skills.

   iii) **Tertiary or Service Industry -** Includes those services which help business to move smoothly e.g. transport, bank, insurance, storage and Advertising.



FEATURES OF SERVICES

1. Intangibility
2. In consistency
3. Involvement
4. Inventory

DIFFERENCE BETWEEN SERVICES AND GOODS

Basis	Services	Goods
Naure	Watching movie in cinema	Physical objects Vedio cassette
Type	Hetrogenious	Homogeneous
Intengibility	Intangible	Tangible

Classify the industry under which the following come under :-

i) Mining project undertaken in Chota Nagpur Plateau region.

ii) Oil refineries in Gujrat.

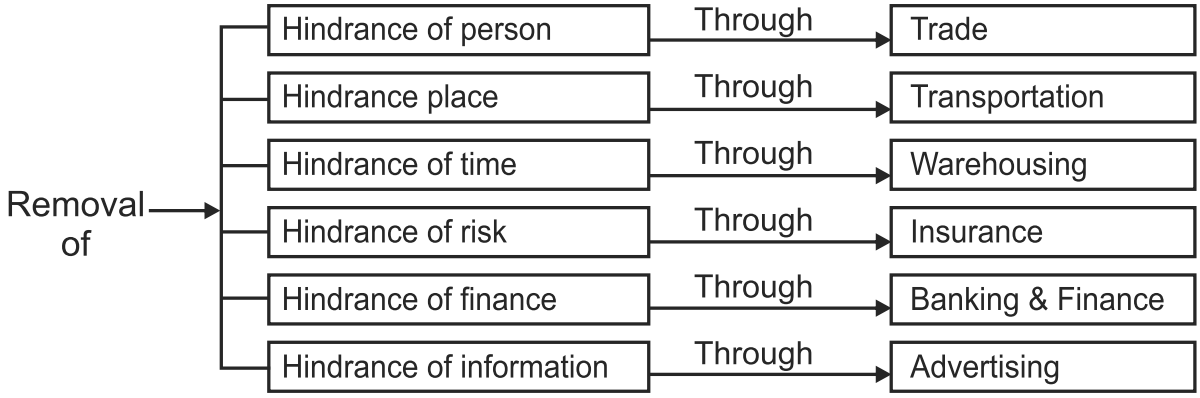
iii) Cement industry based in Mangalore (Karnatka)

iv) In Uttar Pradesh there are many factories where Sugar is created from Sugarcane.

Commerce :-

Meaning - Commerce refers to all those activities which are concerned with the transfer of goods and services from the producers to the consumers. It embraces all those activities which are necessary for maintaining a free flow of goods and services.

The functions of commerce are as follows



1. Removing the hindrance of person by making goods available to consumers from the producers through trade.
2. Transportation removes hindrance of place by moving goods from the place of production to the markets for sale.
3. Storage and warehousing activities remove the hindrance of time by facilitating holding of stock of goods to be sold as and when required.
4. Insurance removes hindrance of risk of loss or damage of goods due to theft, fire, accidents etc.
5. Banking removes hindrance of finance - by providing funds to a businessman for acquiring assets, purchasing raw materials and meeting other expenses.
6. Advertising removes hindrance of information by informing consumers about the goods and services available in the market.

Commerce includes two types of activities

Trade :- Refers to buying and selling of goods and services with the objective of earning profit.

It is classified into two categories :-

1. **Internal Trade:-** Takes place within a country. Internal Trade is classified into two categories :-
   (i) **Wholesale Trade** :- Refers to buying and selling of goods in large quantities. A wholesaler buys goods in large quantities from the producers and sell them to other dealers. He serves as a connecting link between the producer and retailer.
   (ii) **Retail Trade** :- Refers to buying of goods and services in relatively small quantities & selling them to the ultimate consumers.
2. **External Trade :-** Trade between two or more countries. External trade can he classified into three categories:-
   (i) **Import trade** :- If goods are purchased from another country. it is called import trade.
   (ii) **Export trade** :- If goods are sold to other countries it is called export trade.
   (iii) **Entrepot trade** :- Where goods are imported for export to other countries eg. Indian firms may import some goods from America and export the service to Nepal.

External Trade



2. **Auxiliaries to Trade -** All those activities which help in removing various hindrances which arise in connection with the production and distribution of goods are called auxiliaries to trade. An overview of these activities is given below.
   (i) **Transportation and Communication -** The production of goods takes place at one place where as these are demanded in different parts of the country The obstacle of

place is removed by the transport. Along with transport communication is also an important service. It helps in exchange of information between producers. consumers and traders. The common communication services are postal service, telephone, fax, Internet etc

(ii) **Banking and Finance -** Business needs funds for acquiring assets, purchasing raw materials and meeting other expenses. Necessary funds can be obtained from a bank.

(iii) **Insurance -** It provides a cover against the loss of goods, in the process of transit, storage, theft, fire and other natural calamities.

(iv) **Warehousing -** There is generally a time lag between the production and consumption of goods. This problem can be solved by storing the goods in warehouses from the time of production till the time they are demanded by customers.

(v) **Advertising -** Advertising brings goods and services to the knowledge of prospective buyers. It is through advertising that the customers come to know about the new products and their utility.

7. Business Risk

Business risk refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events. For example, demand for a particular product may decline due to change in tastes preferences of consumers, or increase in competition etc.

There are two types of business risks -

Nature of Business Risks

1. **Business risks arise due to uncertainties :** Lack of knowledge of what is going to happen in future create uncertainties in business. It may be due to natural calamities, change in demand and prices. strikes etc.
2. **Risk is an essential part of every business :** No business can avoid risk although the amount of risk may vary from business to business. Risk can be minimised but cannot be eliminated.

3. **Degree of risk depends mainly upon the nature and size of business :** Level of risk is lower for small scale business while it is higher for large scale organization.
4. **Profit is the reward for risk taking :** A business gets profit as return for undertaking risk. Greater the risk involved in a business, higher is the chance of profit.

Causes of Business Risks

1. **Natural causes -** Human beings have little control over natural calamities like flood, earthquake, famine etc. They result in heavy losses of life, property & income of business.
2. **Human causes -** Human causes include such unexpected events like dishonesty. carelessness or negligence of employees, strikes, riots, management inefficiency etc.
3. **Economic causes -** They are related tc a chance of loss due to change in market condition e.g.. fluctuations in demand and prices, competition. change in technology etc
4. **Physical causes -** Mechanical defects or failures may also lead to losses e g., bursting of boiler or machine may cause death or destruction.
5. **Other causes -** These include unforeseen events like political disturbances. fluctuation in exchange rates etc.

8. Starting a Business :- Basic Factors

1. **Selecting the line of business :-** The first thing to be decided by the entrepreneur is the line and type of business to be undertaken.
2. **Scale or size of business :-** After deciding the line of business the businessman must decide whether he wants to set up large scale or small scale business.
3. **Choice of form of business organization :-** The next decision must be taken is to finalize the form of business i.e. to set up sole proprietorship, partnership or joint stock company.
4. **Location of business enterprise :-** The entrepreneur has to decide the place where the enterprise will be located. Before taking this decision he must find out availability of raw

materials, power, labour, banking, transportation etc.

5. **Financial requirement :-** The businessman must analyze the amount of capital he might require to buy fixed assets and for working capital (day to day expenses). Proper financial planning must be done to determine the amount of funds needed.
6. **Physical facilities :-** include machinery, equipment, building etc. This decision depends upon the size, scale and type of business activities he wants to carry on.
7. **Plant Layout :-** Showing the physical arrangement of machines and equipment needed to manufacture a product.
8. **Competent and committed workforce :-** The entrepreneur must find out the requirement of skilled and unskilled workers and managerial staff to perform various activities.
9. **Tax planning :-** The entrepreneur must try to analyze the types of taxes because there are a number of tax laws in the country which affect the functioning of business.
10. **Setting up of the enterprise :-** After analyzing the above mentioned points carefully, the entrepreneur can start the business which would mean mobilizing various resources and completing legal formalities.

Multiple Choice Questions

1. Which is not an economic activity?
   (a) Clerical work in a bank
   (b) Teaching in Govt. school
   (c) Cooking by a housewife
   (d) Car production
2. Which is not included in 'Auxiliary to Trade'?
   (a) Animal Husbandry (b) Insurance
   (c) Transport (d) Warehousing

3. Which is Extractive Industry?

(a) Building construction (b) Plantation

(c) Mining (d) Textile

4. Which is service industry?

(I) Sugar (ii) Cement

(c) Poultry farm (d) Banking

5. Risk is the result of _____.

(a) Uncertainty (b) Certainty

(c) Business activities (d) None of the above

6. Which is not the objective of business?

(a) Making profit (b) creation of customers

(c) Investment (d) Innovation

7. Capital is required in -

(a) Profession (b) Employment

(c) Business (d) Non-economic activity

8. Code of conduct exist in -

(I) Business (ii) Profession

(iii) Employment (iv) All of the above

9. 'Fraud by Employee' is a type of business risk -

(i) Human (ii) Natural

(iii) Economic (iv) Physical

10. Which economic activity has zero risk?

(i) Business (ii) Profession

(iii) Employment (iv) All of the above

Match the following

Column – I	Column – II
1. Manufacturing Industries	1. Mining
2. Genetic	2. Building
3. Secondary Industry	3. Import
4. Trade Center	4. Technical change
5. Code of Conduct	5. Honesty
6. Business Risk	6. Advertising
7. External Trade	7. Kolkata
8. Constructive Industry	8. Cement
9. Extractive Industry	9. Textile
10. Service Industry	10. Poultry Farm

EXPECTED QUESTIONS (ONE MARK QUESTION)

Q1. Give an example of activity which is economic on one side and non economic on other side.

Q2. **Assertion (A)** Profit earning is essential for the survival, growth and expansion of any business.

Reason (R) It is the sole objective of all business firms.

Codes

(a) Both A and R are true, R is the correct explanation of A

(b) Both A and R are true, but R is not the correct explanation of A

(c) A is correct, but R is incorrect

(d) A is incorrect, but R is correct

Q3. If is a person sells his domestic computer at a profit, will it be considered a business? Also explain the characteristic of business which is being stressed upon in the above said example.

Q4. Name the economic activity in which specialized knowledge is required.

Q5. Why is insurance known as a tertiary industry?

Q6. Mr. Rajnesh sold his furniture and bike on OLX as he was shifting base to London. Is this a business activity ? Which element of business is being referred to here ?

Q7. A lawyer is working in a knowledge process outsourcing (KPO) organization. What type of economic activity is he performing ?

Q8. A company has decided to donate 1% of its sales to an NGO, serving mentally disabled people. This initiative by the company was highly appreciated by the public and their sales increased by 10%.

(i) Identify the objective depicted in the given example.

Ans. (i) Social objective

3/4 MARKS

Q9. Maninder. Surinder and Balbinder and Harinder pursued their Masters Degree in Business Management from a reputed institute of Delhi. After completion of their studies, all of them got engaged in different fields. Maninder got a job at an Oil Refinery Industry as a Junior Executive Finance. Surinder joined his family business of Textile Industry at Jalandhar, Punjab. Balbinder opened his own Dairy Firm and Harinder join construction business

(i) Name the type of industry Mr. Maninder worked in reference to the above lines.

(a) Genetic Industry (b) Extractive Industry

(c) Territory Industry (d) Assembling Industry

(ii) Indentify the type of industry Mr. Surinder worked with as highlighted in the above case.

(a) Analytical Industry (b) Synthetic Industry

(c) Processing Industry (d) Assembly Industry3

(iii) Which type of Industry Mr. Balbinder started after his studies as referred in the above case?

(a) Genetic Industry (b) Processing Industry

(c) Territory Industry (d) Manufacturing Industry

(iv) Identify the type of industry Mr. Harinder worked with as highlighted in the above case.

(a) Primary Industry (b) Secondary Industry

(c) Tertiary Industry (d) None of above

Q10. All human being fulfill their different needs by performing certain activities. Can you suggest and explain the activities undertaken by them.

Q11. Write four differences among business profession and employment.

Q12. "No business is risk free." In the light of this statement. Explain the concept of business risk and its any three causes.

Q13. Explain any four objectives of business.

Q14. Define commerce. Why is it of great importance in modern life?

Q15. Distinguish between primary & secondary industry. Give examples.

Q16. Tea is mainly produced in Assam, while cotton in Gujrat and Maharastra but they are required for consumption in different parts of the country. How can this hindrance of place be removed ? Also under what business activity will it be categorized?

Q17. It is one of the activities / means for assisting trade and help in the promotion of the product by providing information to the consumers. Business does not exist in isolation, it has to communicate with others and the activity help in making consumers aware and informed about the product of the company and inducing them to buy particular items.

i) Which activity is discussed in the above para ?

ii) What are those activities called which are meant for assisting trade ?

iii) Name and explain the categories into which communication services can be classified.

Q 18. A factory emits a lot of smoke and pollutants while manufacturing sugar. It is overlooking the impact of its activities on the

environment and is engaged in profit maximization.

i) Which objective is not being fulfilled by the manufacturers?

ii) Which type of industry will you classify sugar manufacturing in?

Q 19. Rising Heights Ltd. wants to expand and grow. For this it needs funds to acquire land, building, machinery etc. Also since these assets cost a lot, they want the risk associated with them to be reduced. Identify the hindrances and explain how they can be removed.

[Hint : Hindrance of Finance and Risk]

Q 20. Ramesh sells winter wear in the month of December, January and February but he is not able to sell his complete stock.

i) Identify the hindrance

ii) How can he resolve this hindrance?

iii) Will this hindrance always occur ? Why ?

[Hints : Hindrance of time resolved by warehousing, because there is time gap between production and consumption.]

Q 21. Rajni, a house wife exchanges utensils for old clothes on a regular basis. Is it a business and why ?

Q 22. Mr. X and Y are having a discussion. Mr. X feels that business is based on selfish desire to gain higher and higher profits while Mr. Y thinks that profit is essential for a business. Can you support Mr. Y's case by giving strong points in his favour?

5/6 MARKS

Q23. Categorise the following into business, profession and employment. (i) A farmer (ii) An advocate (iii) A clerk

(iv) A hawker selling toys for children (v) A doctor

(vi) A person repairing scooter on roadside

Q24. Classify the following into primary, secondary and teritary industry.

(i) Banking	(ii) Lumbering	(iii) Oil Refinery
(iv) Warehousing	(v) Mining	(vi) Farming

Q 25. Organic Tea Ltd. is a Singapore based company dealing in import of tea from India and exporting it into many South Asian countries.

It has huge godowns near th seaport for storing and re-exporting.

(i) Name the type of trade in above case.

(ii) Name the aids of trade being utilised.

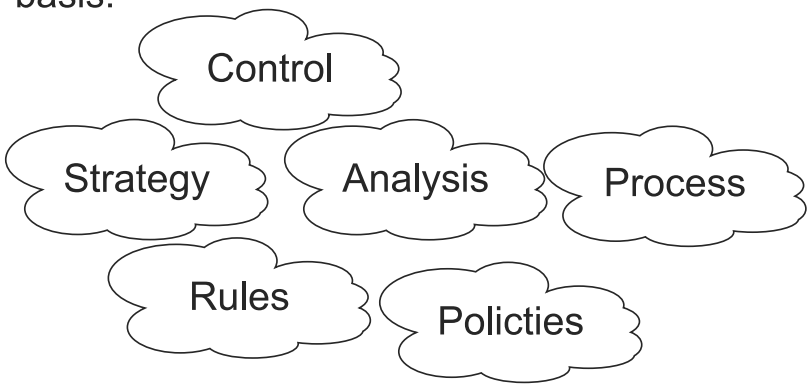
(iii) Which utility is created.

Q 26. Commerce is the sum total of activities that remove hindrances in the free flow of goods from producers to consumers. Explain.

Q 27. Explain any six factors that are important to be considered while starting a business.

Q 28. Write difference among industry, commerce and trade on any five basis.

Q 29.



Identify the concept involved through picture.

Q 30. 'Creative Strokes' is an advertisement agency initiated by Rohit Shagun & Pratima They have called a meeting to discuss the below giiven points :-

(i) Increase the profit margin by 10% in May.

(ii) Capturing a bigger share in the market.

(iii) Making use of better cameras & improved techniques.

(iv) Making best use of cameras lights. cameramen. finance etc. employed by the business.

(v) Improve efficiency in all regards of functioning of business.

(a) Which aspects of business objectives are being referred to here?

(b) Also develop each point to be discussed in the meeting by classifying the objective.

[Hint : (a) Economic objectives]

Q 31. Nathu Lal prepares 'sonpapri' for customers during Diwali season every year. He prepared more 'Sonpapari' than he could sell this year. He employed women and children also arid paid them less salary manufacturing on the packages. This way he generated profit for himself.

(a) Do you think he is fulfilling all the objectives of business ?

(b) If not which aspects of this objective are not being fulfilled ?

[Hint : No. Social objectives are not being fulfilled]

Q32. Classify the below given business into different types of industries.-

(i) Crude oil business

(ii) Producing steel from iron are

(iii) Cosmetics manufacturing

(iv) producing computers

(v) construction of dams.

Q33. In business activities, there are some activities that are involved in the removal of hindrances in process of exchange i.e. from the producer to the consumer Identify them. Also classify the activities which help in removing the following hindrances:-

(i) Hindrance of place

(ii) Hindrance of risk

(iii) Hindrance of time

(iv) Hindrance of finance

(v) Hindrance of information

Q34. Different situations in different business are being elaborated below:-

(i) Raghunath Gorkha had a match stick factory in Nepal which got destructed by the recent earthquake.

(ii) Mr. Arya, a senior manager in a telecom company shared confidential information about the company with a competitor which led to huge losses for the company.

(iii) Vodafone Company was charged with evasion of tax and asked to pay fine in crores which would lead to heavy losses for the company.

(iv) Type writers becoming redundant because of laptops.

(a) Which characteristic of business is being referred to in all the above cases ?

(b) How can you classify the different cases based on this characteristic ?

[**Hint :** Business Risks - Causes]

Q35. Dr. Kumar is an orthopedic surgeon in Jaipur Golden Hospital and Dr. Mahajan, his friend is a Pediatrician who has set his own clinic. Dr. Mahajan's wife, Ms. Rajni operates her Jewellery store. Compare & differentiate the nature of tasks undertaken by them.

Q36. Zainab, Shelly & Ravina are friends. They have just completed a fashion designing course. They wish to start a business together. They have ₹10,00,000 savings put together and are planning to take a bank loan of additional ₹10 lakhs. They have found a prime location in Karol Bagh where they can set their boutique. They decide that they will initially not take very big orders.

Based on this information, quote the lines associated with factors affecting the decision to start a business and classify them.

Q37. Imran, Manpreet, Joseph and Priyanka have been classmates in Class-X. After their exams are over, they happen to meet at a common friend Ruchika's house. Just when they are sharing their experiences of examination days. Ruchika's father Mr. Raghuraj Chaudhury intervenes and asks about their well-being. He also enquires from each one of them about their career plans. But none of them has a definite reply. Mr. Raghuraj who himself is a businessman, suggests to them that they can opt for business as a promising and challenging career. Joseph gets excited by the idea and says, "Yes, business is really good for making lots of money even more than is possible by becoming an engineer or a doctor." Mr. Raghuraj opines "Let me tell you, young man". There is a lot more to business than merely money? Do you agree with Mr. Raghu Raj Chaudhary's statement? What according to you are other objectives of business.

Q 38. A cloth manufacturer supplies his clothes to Sri Lanka, Thailand and Bangladesh. While manufacturing, some defective material was set asides the manufacturer believes in providing good quality products only. The defective material was given to Nari Niketan's women for repairing and later donated to

orphanage for free.

i) What kind of business is the cloth manufactures doing ?

ii) Which objectives are being followed by it by donating the defective material. State them.

Q 39. Naveli, a Home Science graduate from a reputed collage has recently done a cookery course. She wished to her own venture with a goal to provide 'health food' at a reasonable price. After analyzing various option she decides to sell 'ready-made' and 'ready to make' vegetable shakes and milk shakes. She has a saving of ₹5,00,000 and will take a loan of ₹10 Lakhs.

Based on the above para, identify and quote the factors that she has considered till now for starting the business.

Also explain other three factors that need to be considered.

Q 40. Classify the following into business, profession and employment.

i) Hari sells mobile phones on behalf on his employer.

ii) It requires minimum academic qualifications.

iii) A hawker sells toys for children outside a function.

iv) Sanjay is the advocate of High Court.

v) Dhruv is the manager of a company.

vi) A person repairs scooters on road side.

Q 41. Ms. Meena is a lecturer in a college. She gets ₹72,000 p.m. as remuneration. Mr. Kunal is a farmer producing 20 quintals of wheat for his own consumption and 2,000 quintals for sale. Ms. Kirti, a journalist in an agency, teaches slum children after her office hours. She doesn't charge anything from them. This gives her psychological and mental satisfaction.

i) Teaching in a college by Ms. Meena refers to which type of human activity.

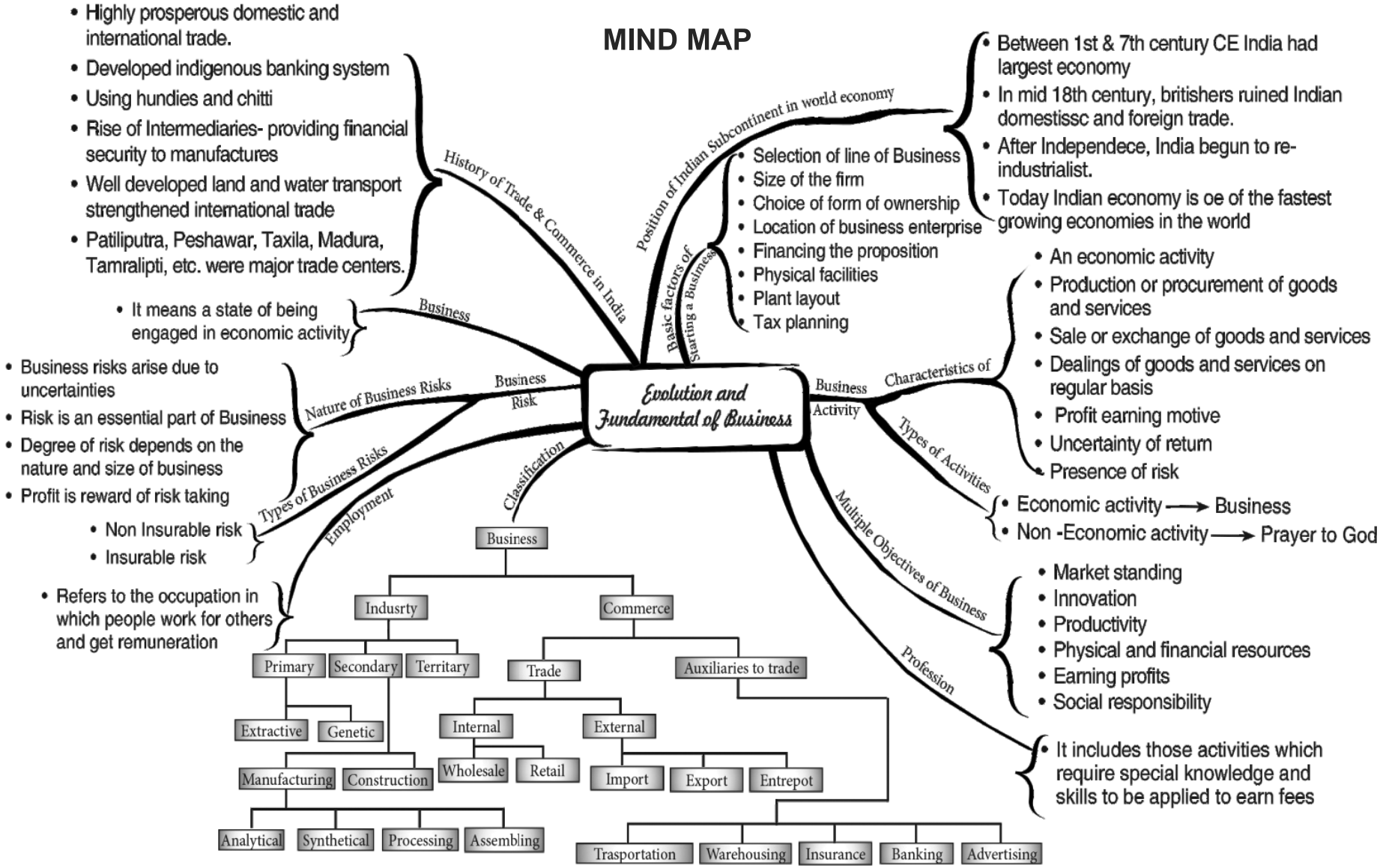
ii) Production of wheat by Mr. Kunal for his own consumption refers to which human activity and why ?

[Hints]

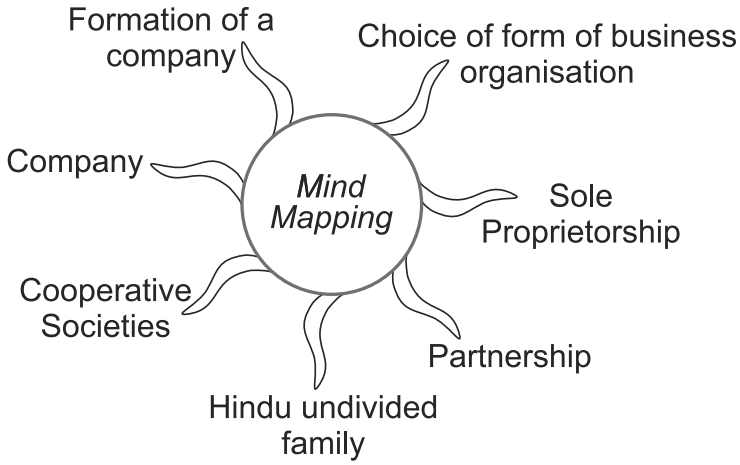
Ans. i) Economic Activity.

ii) Economic activity as production of wheat by Mr. Kunal for his own consumption helps him for his livelihood.

MIND MAP


Evolution and Fundamental of Business
History of Trade & Commerce in India
Highly prosperous domestic and international trade.
Developed indigenous banking system
Using hundies and chitti
Rise of Intermediaries- providing financial security to manufactures
Well developed land and water transport strengthened international trade
Patiliputra, Peshawar, Taxila, Madura, Tamralipti, etc. were major trade centers.
Position of Indian Subcontinent in world economy
Between 1st & 7th century CE India had largest economy
In mid 18th century, britishers ruined Indian domestissc and foreign trade.
After Independece, India begun to re-industrialist.
Today Indian economy is oe of the fastest growing economies in the world
Starting a Business
Selection of line of Business
Size of the firm
Choice of form of ownership
Location of business enterprise
Financing the proposition
Physical facilities
Plant layout
Tax planning
Business
It means a state of being engaged in economic activity
Business Activity
Characteristics of
An economic activity
Production or procurement of goods and services
Sale or exchange of goods and services
Dealings of goods and services on regular basis
Profit earning motive
Uncertainty of return
Presence of risk
Types of Activities
Economic activity → Business
Non -Economic activity → Prayer to God
Business Risk
Nature of Business Risks
Business risks arise due to uncertainties
Risk is an essential part of Business
Degree of risk depends on the nature and size of business
Profit is reward of risk taking
Types of Business Risks
Non Insurable risk
Insurable risk
Classification
Business
Indusrty
Commerce
Primary
Secondary
Territary
Trade
Auxiliaries to trade
Extractive
Genetic
Internal
External
Manufacturing
Construction
Wholesale
Retail
Import
Export
Entrepot
Analytical
Synthetical
Processing
Assembling
Trasportation
Warehousing
Insurance
Banking
Advertising
Employment
Refers to the occupation in which people work for others and get remuneration
Multiple Objectives of Business
Market standing
Innovation
Productivity
Physical and financial resources
Earning profits
Social responsibility
Profession
It includes those activities which require special knowledge and skills to be applied to earn fees

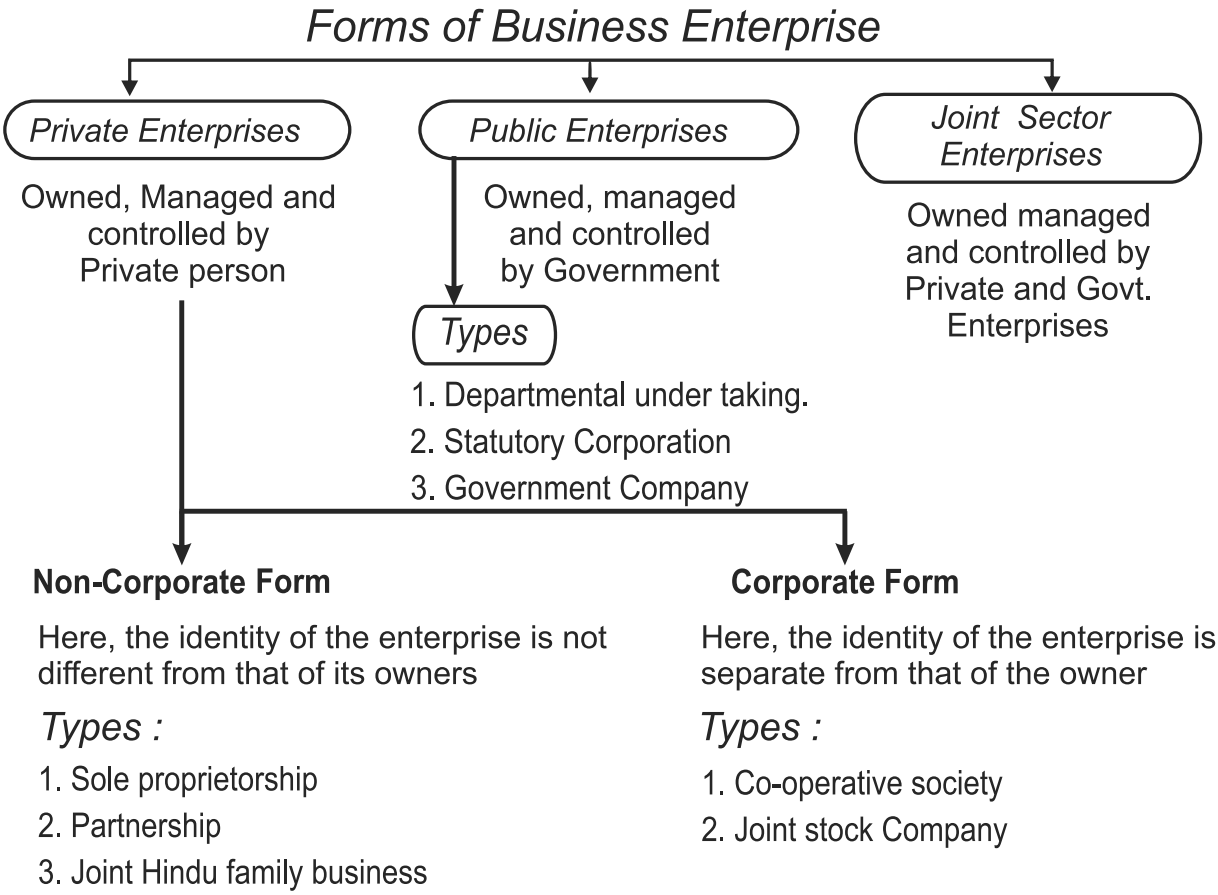
CHAPTER 2
FORMS OF BUSINESS ORGANIZATION



Project Work: (1) Visit to an Industry (2) Visit to Mandi craft unit

Meaning :- Classification of Business orgnanisation

(1) A business enterprise is an institutional arrangement to form any business activity on the basis of ownership, business enterprises can broadly be classified into the following categories.



Sole Proprietorship :-

Meaning :



Sole proprietor means a form organization in which there is only owner of business. He himself manages and is the only receiver of all profits and losses (risks).

Features of Sole-Proprietorship :-

1) *Single ownership :-* He is sole owner of all the assets and resources of business.
2) *No separate Legal Entity :-* From legal point of view, the business has no separate existence or entity that of the business. All the assets and liabilities of the business are that of the business man.
3) *No Legal Formalities :-* No legal formalities are required to start, manage and dissolve such business organization.
4) *Control and management :-* Sole proprietor has full power to control and manage such organizations.
5) *Unlimited liability :-* The liability of owner is unlimited. In case, the assets of business are not sufficient to meet its debts, the personal property of owner can be used for paying debts.
6) *Undivided Risk :-* Means the owner bears all the losses and enjoys all the gains.
7) *Suitable for some special form of business :-* It is suitable in areas of personalized services and small scale activities like agriculture, the job of stitching, bakery, beauty parlour etc.
8) *Secrecy :-* All the important informations concerning the business rests only with the owner so that no outside party can take any undue advantage of it.

Unlimited Liability
It refers that if the business gets into difficulty and can't pay its debts, the owner of the business is hold personally liable for those debts.

Merits :-

1) *Easy Formation :-* It can be easily started and closed as there is no need to observe any legal formalities.
2) *Quick Decision :-* A sole trader takes the decision quickly as he is not required to consult anybody about his decisions.
3) *Secrecy :-* All the secrets are confined with the owner. They are not shared with any body.
4) *Direct motivation :-* Direct relationship between efforts and reward provide incentive to the sole trader to work hard.
5) *Personal touch :-* The sole trader can maintain personal contacts with his customers and employees. In this way, good work is possible at less cost and time.

Limitations :-

1) *Limited financial resources :-* Funds are limited to the owner's personal savings (i.e. his capital) and his borrowing capacity.
2) *Limited managerial ability :-* Sole trader can't be good in all aspects of business and he can't afford to employ experts also.
3) *Unlimited liability :-* As the sole trader has to face the entire risk of business, so it compels him to avoid risky and bold decisions.
4) *Uncertainty :-* Death, insolvency, lunacy or illness of a proprietor may leads to its closure.
5) *Limited scape for expansion :-* Due to limited capital and managerial skills, it can't expand to a large scale.

SUITABILITY :

Sole Trader-ship is suitable :-

- Where the personal attention to customer is required as in tailoring, beauty parlour etc.
- Where goods are unstandardized like artistic jewelery.
- Where modest capital & limited managerial skills are required as in case of retail store.
- Business where risk is not extensive i.e., lesser fluctuation in price and demand i.e. stationery shop.

Joint Hindu Family Business

It is owned by the members of undivided joint Hindu Family and managed by the eldest member or manager of the family known as KARTA. It is governed by the provisions of Hindu Law. The basis of membership is birth in a particular family. The common properties include-

a) There should be at least two member in a family.

b) Ancestral property to be inherited by them.

Hindu Succession (Amendment) Act 2005

Allows women to become Co-parceners as well as Karta of JHF Business.

Features:-

1) *Formation :-* There should be at least two members in a family and some ancestral property to be inherited by them to form this type of business.

2) *Membership :-* Membership automatically starts by birth in the family.

3) *Control :-* In this, Business is managed wholly by Karta only.

The others members can suggest him only.

4) *Liability :-* Liability of Karta is unlimited but of all other members is limited to the extent of their share in property.

5) *Permanent Existence :-* The existence is permanent like the existence of the company. There is no effect of the death, insolvency or lunacy of the members on the business.

6) *Minor Members :-* A minor can also become full-fledged member of the family business.

7) *Registration :-* There is no need of any registration.

Merits

1) *Effective Control :-* The Karta can promptly take decisions as he has the absolute decision making power.

2) *Continued business Existence :-* The death, Lunacy of Karta will not affect the business as next eldest member will then take up the position.

3) *Limited Liability :-* The liability of all members except Karta is limited. It gives them a relief.

4) *Secrecy :-* Complete secrecy regarding business decisions can be maintained by Karta.

5) *Loyalty and Co-operation :-* It helps in securing better co-operation and greater loyalty from all the members who run the business.

LIMITATION

1) *Limited capital :-* There is shortage of capital as it is limited to the ancestral property.

2) *Limited Managerial Skill :-* In this, all the decision have to be taken by the Karta but he is not intelligent in all fields of business. Therefore, sometimes the decisions taken are not favourbale to the business.

3) *Unlimited Liabilities :-* In this, the responsibility of the Karta is unlimited so, he hesitates in taking new and risky decisions.

4) *Unbalanced decision :-* As Karta is overburdened, with work, he may take harsh and unbalanced decisions.

Note :- The joint Hindu Family business is on decline because of the diminishing number of joint Hindu families in the country.

Q. Abdul is the sole owner of a shoe manufacturing factory, It expands and grows, but now it faces the problem of limited financial and managerial resources.

i) Name the form of organization on which is being carried out by Abdul.

ii) Give two alternatives to solve the problem.

[Hint : (a) Employ a paid assistant (b) Admit one or more partners

PARTNERSHIP

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

Characteristic of Partnership :-

i) *More than one person :-* Partnership needs a minimum number of two persons and maximum 50.

i*i)* *Agreement :-* It is an outcome of an oral or written agreement.

iii) *Profit motive and sharing of profit :-* Main characteristic of partnership into earn profit in business and divide it among the partners.

iv) *Decision making and control :-* Every partner has a right to participate in management and decision making.

v) *Unlimited liability :-* Partners have unlimited liability.

vi) *Lack of continuity :-* Firm's existence comes to end by the death, lunacy and insolvency of any of its partner.

vii) *Principal agent relationship :-* Every partner plays double role of an owner and an agent.

Merits of Partnership :-

i) *Ease of formation and closure :-* It can be easily formed and closed without any legal formalities.

ii) *Large financial resources :-* There are more funds as **capital** is contributed by number of partners.

iii) *Balanced decisions :-* As all important decisions are taken jointly by partners, they are good and balanced.

iv) *Sharing of risks :-* Risks get distributed among partners. which reduces burden and stress on individual partner.

v) *Secrecy :-* The accounts of partnership firms are not presented before public and are not required to publish. So, business affairs are kept secret.

Limitations :-

i) *Limited resources :-* As there is a restriction on the number of partners so capital contributed by them is also limited.

ii) *Unlimited liability :-* The liability of all partners is unlimited.

iii) *Lack of continuity :-* Partnership comes to an end with the death, retirement, insolvency or lunacy on any of its partner.

iv) *Lack of public confidence :-* Partnership firms are not required to publish their reports and accounts. Thus, they lack public confidence.

v) *Lack of harmony :-* Because of more people, there can be difference of opinions which leads to discord and lack of co-ordination.

Note : When the business happens to be of medium size and te partners have mutual understanding and goodwill, then partnership form of business organisation is the best eg. C.A. firms, hotels and factories of middle level etc.

Types of Partners

i) Classification on the Basis of Duration

Partnership at Will	*Particular Partnership*
This type of partnership exits at the will of partners and continue for unlimited time.	This type of partnership is formed by specified objective and come to end after accomplishment of objective.

ii) Classification on the basis of Liability :-

General Partnership	*Limited Partnership*
i) Liability of partnership is limited and joint. ii) Each partner participates actively in business management. iii) Registration is optional. iv) The continuity of business is affected by the death, lunacy, insolvency or retirement of the partners.	i) Liability of at best one partner is unlimited where as the others may have limited. ii) They do not have right to manage business management. iii) Registration is compulsory. iv) Continuity of limited partnership doesn't get affected by the death, lunacy or in solvency of the partner with limited liability.

Type	*Capital Contribution*	*Managing business*	*Profit Sharing*	*Liability*
Active Partner	Contributes capital	Participated in management of firm.	Share its profits & losses.	Unlimited Liability
Sleeping/ Dormant Partner	Contributes capital	Doesn't take part in day to day activities of business.	Share its profits & losses.	Unlimited Liability
Secret Partner	Contributes capital and is unknown to general public.	Participates in management of firm.	Share its profits & losses.	Unlimited Liability
Partner by Estoppel	Do not contribute capital but by his words or conduct, impress other to be a partner.	Do not participate in management of firm.	Do not share its profits & losses.	Unlimited Liability
Partner by Holding out	Do not contribute capital. He doesn't deny others to represent him as partner.	Do not participate in management of firm.	Do not share it's profits & losses.	Unlimited Liability
Nominal Partner	Do not contribute capital. He allows the use of his name.	Do not participate in managerial activities.	Generally do not share its profits & losses.	Unlimited Liability
Minor Partner Partner of age below 18 year	Do not contribute capital.	Do not participate in management of firm.	Share its profits & not the losses.	Unlimited Liability

Partnership Deed :- The Written agreement on a stamped paper which specifies the terms and conditions of partnership is called the Partnership Deed.

It generally includes the following aspects :-

1) Name and address of the firm.
2) Names and Address of Partners.
3) Duration of Partnership.
4) Scope of Business.
5) Contribution of Capital by Partners.
6) Profit and loss Ratio.
7) Terms relating or salaries, drawing interest on capital and interest on drawing of partners.
8) Duties & obligations of partners.
9) Terms governing admission, retirement & expulsion of a power.
10) Method for solving disputes.
11) Valuation of goodwill.

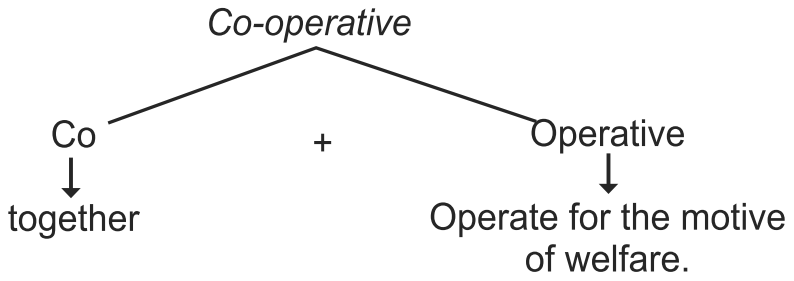
Registration of Partnership :- Registration is not compulsory but it is always beneficial to get the firm registered. The consequences of non-registration of a firm are as follows :-

i) A partner of an unregistered firm can't file suit against the firm or the partner.

ii) The firm can't file a suit against third party.

iii) The firm can't file a case against its partner.

Co-operative Society



'Co-operative' means working together and with others for a common purpose. A Co-operative society means a voluntary organization which is established by some persons on the basis of co-operative and equality to safeguard their common economic interests.

Features :-

1) *Voluntary Membership :-* Every one having a common interest is free to join a co-operative society.
2) *Legal Status :-* Its registration is compulsory and it gives it a separate legal identify entity, separate from its members.
3) *Limited Liability :-* The liability of the members is limited to the extent of their capital contribution in the society.
4) *Control :-* Management and control lies with the managing committee elected by the members by giving vote.
5) *Service motive :-* The main aim is to serve its members and not to maximize the profit.
6) *Cash* transactions *:-* They give preference to cash transactions.
7) *Government control :-* They have to send their annual report and accounts to the registrar so that the government exercise its control from time to time by checking their accounts.
8) *Arrangement of Finance :-* They arrange finance from sale of shares to members, grant from the government, loan from banks and financial institutions etc.

Merits of Co-operative Societies :-

1) *Ease of Formation :-* Any ten adults having common objective can establish co-opetative society by getting registered with register.
2) *Stable existence :-* Due to registration it has a separate legal entity and is not affected by the death, lunacy or in solvency of any of its member.
3) *Limited liability :-* The liability of members is limited to the extent of their capital contribution.

4) *Supply of Goods at Cheaper Rate :-* These societies benefit their members by supplying them goods at cheaper rates than the market.

5) *Government Support :-* Govt. provides support by giving loans at lower interest rates, subsidies and by charging less taxes.

Limitations :-

1) *Shortage of Capital :-* It suffers from shortage of capital as it is usually formed by people with limited means.

2) *Inefficient Management :-* These are managed by elected members who may not be competent and experienced. Due to lack of managerial knowledge. They can't run the society effectively.

3) *Lack of Secrecy :-* These have to send their annual reports and accounts to the registrar of co-operative societies. In this way, the secrets of business become public.

4) *Excessive Government Control :-* It suffers from excessive rules and regulations of government.

5) *Conflict among members :-* The members are from different sections of society with different view point. Sometime as when some members become rigid the result is conflict.

6) *Lack of motivation :-* Members are not inclined to put their best efforts as there is no direct link between efforts and rewards.

TYPES OF CO-OPERATIVE SOCIETIES

1. *Consumers co-operative Society :-* It seeks to eliminate middleman by establishing a direct link with the producers. It purchases goods of daily consumption directly from manufacturer or wholesalers and sells them to the members at reasonable prices.

2. *Producer's Co-operative Society :-* The main aim is to help small producers who cannot easily collect various items of production and face some problem in marketing. These societies purchase raw materials, tools, equipments and other items in large quantity and provide these things to their members at reasonable price.

3. *Marketing Co-operative Society :-* It performs various marketing function such as transportation, warehousing, packing, grading, marketing research etc. for the benefit of its members. The production of different members is pooled together and sold by society at good price.

4. *Farmer's Co-operative Society :-* In such societies, small farmers join together and pool their resources for cultivating their land collectively. Such societies provide better quality seeds, fertilizers, machinery and other modern techniques for use in the cultivation of crops. It provides them opportunity of cultivation on large scale.
5. *Credit co-opearative Society :-* Such societies protect the members from exploitation by money lenders. They provide loans to their members at easy terms and reasonably low rate of interest.
6. *Co-operative Housing Society :-* The main aim is to provide houses to people with limited means/income at reasonable price.

JOINT STOCK COMPANY

Meaning - Joint stock company is a voluntary association of persons having a separate legal existence, perpetual succession and common seal. Its capital is divided into transferable shares.

FEATURES

1. *Incorporated Association :-* The company must be incorporated or registered under the companies Act 2013 or any other previous act. Without registration no company can come into existence.
2. *Seperate Legal Existence :-* It is created by law and it is a distinct legal entity independent of its members. It can own property, enter into contracts, can file suits in its own name.
3. *Perpetual Existence :-* Death, insolvency and insanity or change of members as no effect on the life of a company It can come to an end only through the prescribed legal procedure.
4. *Limited Liability :-* The liability of every member is limited to the nominal value of the shares bought by him or to the amount guaranteed by him.
5. *Transferability of shares :-* Shares of public company are easily transferable. But there are certain restrictions on transfer of share of private company.
6. *Common Seal :-* It is the official signature of the company and it is affixed on all important documents of company.
7. *Separation of ownership and control :-* Management of company is in the hands of elected representatives of shareholders known individually as director and collectively as board of directors.

MERITS

1. *Limited Liability :-* Limited liability of shareholder reduces the degree of risk borne by him.
2. *Transfer of Interest :-* Easy transferability of shares increases the attractiveness of shares for investment.
3. *Perpetual Existence :-* Existence of a company is not affected by the death, insanity. Insolvency of member or change of membership. Company can be liquidated only as per the provisions of companies Act.
4. *Scope for Expansion :-* A company can collect huge amount of capital from unlimited number of members who are ready to invest because of limited liability, easy transferability and chances of high return.
5. *Professional management :-* A company can afford to employ highly qualified experts in different areas of business management.

LIMITATIONS

1. *Legal formalities :-* The procedure of formation of company is very long, time consuming, expensive and requires lot of legal formalities to be fulfilled.
2. *Lack of secrecy :-* It is very difficult to maintain secrecy in case of public company, as company is required to publish and file its annual accounts and reports.
3. *Lack of motivation :-* Divorce between ownership and control and absence of a direct link between efforts and reward lead to lack of personal interest and incentive.
4. *Delay in decision making :-* Legal formalities do not permit quick decisions and prompt actions. There is little scope for personal initiative.
5. *Oligarchic management :-* Company is said to be democratically managed but actually managed by few people i.e. board of directors. Sometimes they take decisions keeping in mind their personal interests and benefit, ignoring the interests of shareholders and company.

Types of Companies :-

On the basis of ownership, companies can be divided into two categories :-

i) Private Company ii) Public Company

Private Company :

According to Section 2(68) of Companies Act, 2013, a Private Company means a company which :

1. Restricts the right of members to transfer shares.
2. Restricts the no. of its members between 2 to 200 excluding present and previous employees of company who are members also.
3. Puts a ban on inviting the public to subscribe to its shares.
4. Puts a ban on inviting the public to subscribe to its public deposits.
5. Must have a minimum paid up share capital of 1 lakh rupees.

Public Company :

According to Section 2(71) of Companies At, 2013 a public company means a company which is not a private company. A public company is one which :

1. has no restriction on the transfer of its shares.
2. has no maximum limits of its members
3. has no restriction on inviting the public to subscribe to its shares and debentures
4. has no restriction on inviting public to subscribe to its Public deposits.
5. has a minimum paid up capital of 5 lakh rupees.

Difference between A Private and A Public Company.

Basis	*Private Company*	*Public Company*
1. Name	It has to write "private Ltd". after its name	It has to write only "Ltd." after its name.
2. No. of Members	Minimum -2 Maximum-200	Minimum-7 Maximum-No Limit
3. No. of Directors	Minimum -2 Directors	Minimum - 3 Directors
4. Minimum paid-up share	1 Lakh	5 Lakh
5. Invitation to public	Pvt. Co. can't invite public for issuing shares and debentures.	Public Company can invite public for issuing its shares & debentures.
6. Transfer of shares	No freedom to transfer shares.	No restriction on transfer of shares.
7. Index of members	Not essential to prepare an index of members.	If no. of members exceeds 50, then it is necessary to prepare index of members
8.Commence -ment business	After getting certificate of Incorporation.	After obtaining certificate of commencement of business

Brain Storming

i) How will you identify whether the company is private or Public?

ii) Give two examples of Private companies?

iii) Give two examples of Public companies ?

One Person Company :

One Person Company refers to a company which has only one peron as a member and which works on the principle of a private company.

Causes of the Formation of OPC

1. Making the unorganised sector as organised - Sole traders have got a good opportunity to move from the unorganised sector and enter the organised sector without getting other people to join him and have all benefits of an organised sector.
2. Perpetual Succession.

Formation of A Company

Formation of a company means bringing a company into existence and starting Its business. The steps involved in the formation of a company are :-

(i) Promotion

(ii) Incorporation

(iii) Capital subscription

(iv) Commencement of business.

A private company has to under go only first two steps but a public company has to undergo all the four stages.

I. Promotion :-

Promotion means conceiving a business opportunity and taking an initiative to from a company.

1. *Identification of Business Opportunity :-* The First and foremost function of a promoter is to identify a business idea e.g. production of a new product or service.
2. *Feasibility Studies :-* After identifying a business opportunity the promoters undertake detailed studies of technical, Financial, Economic feasibility of a business.
3. *Name Approval :-* After selecting the name of company the promoters submit an application to the Registrar of companies for its approval.
4. *Fixing up signatories to the Memorandum of Association :-* Promoters have to decide about the director who will be signing the memorandum of Association.
5. *Appointment of professional :-* Promoters appoint merchant bankers, auditors etc.
6. *Preparation of necessary documents :-* The promoters prepare certain legal documents such as memorandum of Association, Articles of Association which have to be submitted to the Registrar of the companies.

II. Incorporation

Incorporation means registration of the company as body corporate under the companies Act 2013 and receiving certificate of Incorporation.

Steps for Incorporation

1. *Application for incorporation :-* Promoters make an application for the incorporation of the company to the Registrar of companies.
2. *Filing of necessary documents :-* Promoters files the following documents
   (i) Memorandum of Association.
   (ii) Articles of Association.
   (iii) Statement of Authorised Capital
   (iv) Consent of proposed director
   (v) Agreement with proposed managing director.
   (vi) Statutory declaration.
3. *Payment of fees :-* Along with filing of above documents, registration fees has to be deposited which depends on amount of the authorised capital.
4. *Registration :-* The Registrar verifies all the document submitted. If he is satisfied then he enters the name of the company in his Register.
5. *Certificate of Incorporation :-* After entering the name of the company in the register. The Registrar issues a Certificate of Incorporation. This is called the birth certificate of the company.

III. Capital Subscription:-

A public company can raise funds from the public by issuing shares and Debentures. For this it has to issue prospectus and undergo various other formalities:-

Step required for raising funds from public :-

1. *SEBI Approval :-* SEBI regulates the capital market of India. A public company is required to take approval from SEBI.
2. *Filing of Prospectus :-* Prospectus means any documents which invites offers from the public to purchase share and Debenture of the company.
3. *Appointment of bankers, brokers, underwriters :-* Banker of the company receive the application money. Brokers encourage the public to apply for the shares, underwriters are the person who undertake to buy the shares if these are not subscribed by the public. They receive a commission for underwriting.

4. *Minimum subscription :-* According to the SEBI guide lines minimum subscription is 90% of the issue amount. If minimum subscription is not received then the allotment cannot be made and the application money must be returned to the applicants within 30 days.

5. *Application to Stock Exchange :-* It is necessary for a public company to list their shares in the stock exchange therefore the promoters apply in a stock exchange to list company shares.

6. *Allotment of Shares :-* Allotment of shares means acceptance of share applied. Allotment letters are issued to the shareholders. The name and address of the shareholders submitted to the Registrar.

IV. COMMENCEMENT OF BUSINESS :-

To commence business a public company has to obtain a certificate of commencement of Business. For this the following documents have to be filled with the registrar of companies.

1. A declaration that 90% of the issued amount has been subscribed.
2. A declaration that all directors have paid in cash in respect of allotment of shares made to them.
3. A statutory declaration that the above requirements have been completed and must be signed by the director of company.

Important documents used in the formation of company:-

1. *Memorandum of Association* - It is the principal document of a company. No company can be registered without a memorandum of association and that is why it is sometimes called a life giving document.

Contents of Memorandum of Association :-

1. *Name clause* - This clause contains the name of the company. The proposed name should not be identical or similar to the name of another exiting company.
2. *Situation clause* - This clause contains the name of the state in which the registered office of the company is to be situated.
3. *Object clause* - This clause defines the objective with which the company is formed. A company is not legally entitled to do any business other than that specified in the object clause.
4. *Liability Clauses* - This clause limits the liability of the members to the amount unpaid on the shares held by them.

5. *Capital clause* - This clause specifies the maximum capital which the company will be authorized to raise through the issue of shares. It is called authorised capital.

Articles of Association :-

The articles of Association are the rules for the internal management of the affairs of a company the articles defines the duties, rights and powers of the officers and the board of directors.

Contents of the Article:-

1 . The amount of share capital and different classes of shares.
2. Rights of each class of shareholders.
3. Procedure for making allotment of shares.
4. Procedure for issuing share certificates.
5. Procedure for forfeiture and reissue of forfeited shares.
6. Rules regarding casting of votes and proxy voting
7. Procedure for selection and removal of directors
8. Dividend declaration and payment related rules
9. Procedure for capital readjustment
10. Procedure regarding winding up of the company.

I. Prospectus:

Prospectus means any document which invites deposits from the public to purchase share or debentures of a company.

Main contents of the Prospectus:-

1. Company's name and the address of its registered office.
2. The main object of the company
3. The number and classes of shares.
4. Qualification shares of the directors
5. The name and addresses of the directors, managing director or manager.
6. The minimum subscription which is 90% fo the size of the issue.
7. The time of opening and closing of the subscription list.
8. The amt. payable on the application and allotment of each class of share.

9. Underwriters to the issue.

10. Merchant bankers to the issue.

Statement in Lieu of Prospectus:

A public company having a share capital may sometimes decide not to funds form the public because it may be confident of obtaining the required capital privately. In such case it will have to submit a statement in lieu of prospectus with the Registrar of Companies.

It Contains information much similar to that of a prospectus.

Q. 1 Name the documents :-

i) Which document defines the objectives of joint stock company ?

ii) In which document are the rules for attaining the internal objectives mentioned in the Memorandum of Association.

Difference between Memorandum and Articles of Association

Basis	*Memorandum of Association (M.O.A)*	*Articles of Association (A.O.A.)*
1. Objectives	It defines the objectives of the company.	It defines the rules for attaining the objectives mentioned in memorandum of association.
2. Position	Principal / main document.	Subsidiary document.
3. Validity	The activities beyond the power of M.O.A. are not considered to be performed by the company and even all the members can't rectify them.	Activities beyond the powers of A.O.A. are also void. But their rectification is possible by the members.
4. Relationship	Defines the relationship between the company & the outsides.	Defines the relationship between members and the company.
5. Necessity	It's preparation is necessary to get the company registered.	Necessary for private company but not necessary to prepare for Public company.
6. Alteration	It can't be easily altered. Many matters require approval of court.	It can be easily altered by a special resolution.

Choice of Forms of Business Organization :- The following factors are important for taking decision about form of organization.

i) *Cost and ease in setting up the Organization :-* Sole proprietorship is least expensive and can be formed without any legal formalities to be fulfilled. Formation of a company is expensive with lot of legal formalities. So, sole proprietorship is better.

ii) *Liability or Degree of Risk :-* The liability of the owners in sole proprietor business and partnership business is unlimited but the responsibility of the share holders in a company is limited. So, Company organization should be selected.

iii) *Continuity :-* In sole proprietorship and partnership firms death, lunacy or insolvency of any of its member, business ends but in Joint Hindu Family Business & Co-operative Societies company business is not affected by there above picture. So, company co-operative society are much better to be chosen.

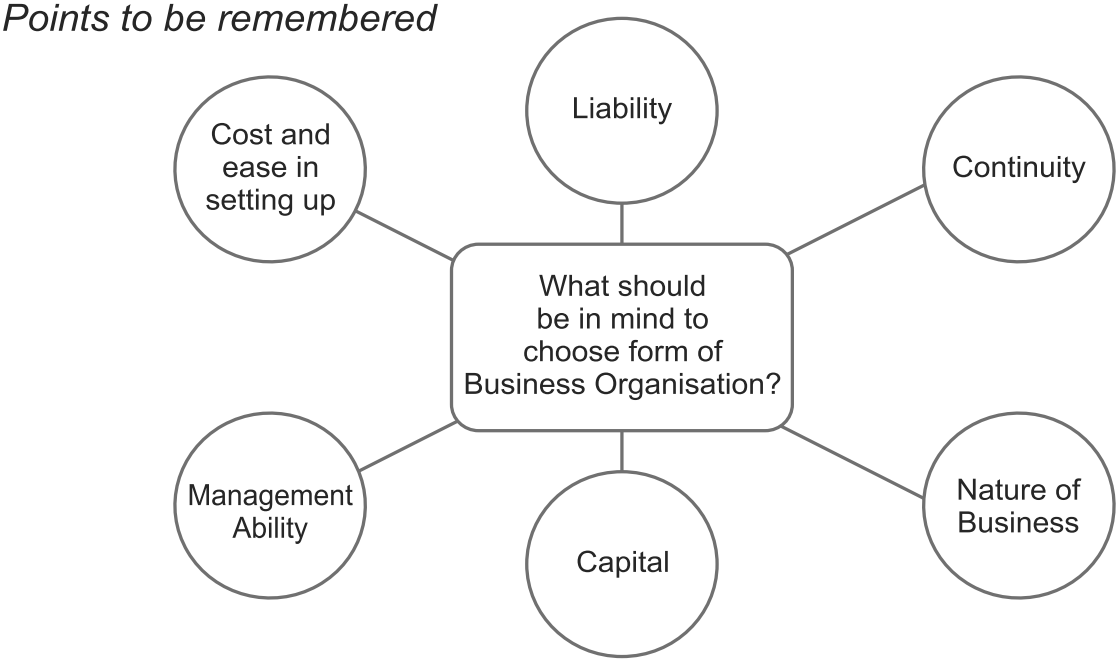
iv) *Managerial Needs :-* In sole proprietorship & Joint Hindu Family Business, experts opinion is not affordable but companies can afford exports for management. so keeping in view, the nature of work and managerial needs company is liked.

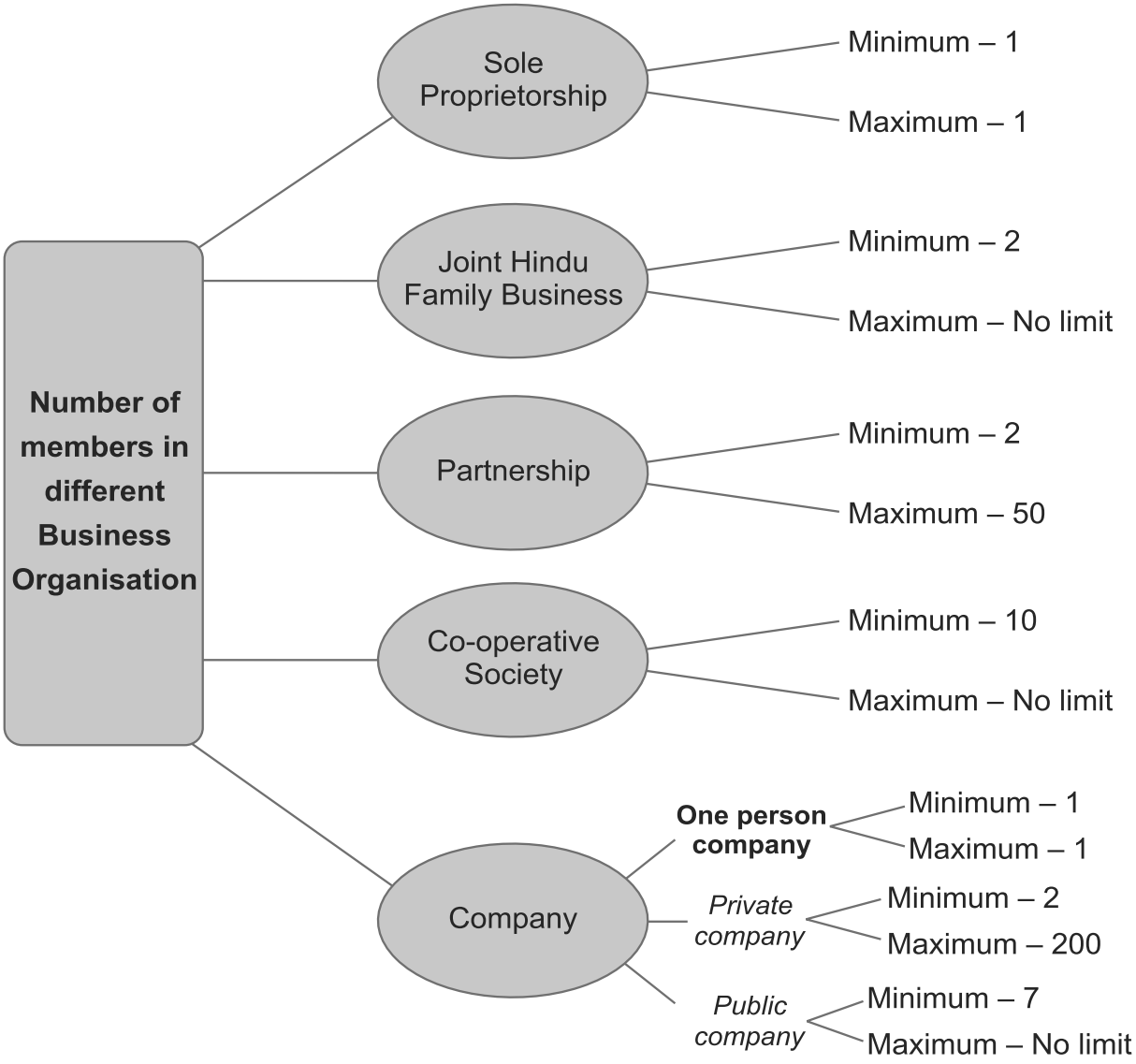
v) *Capital Considerations :-* Business activities requiring huge financial resources prefer company form while for small & medium size business, partnership or sole proprietorship is better.

vi) *Degree of Control desired:-* For direct control & direct decision. Sole proprietor is liked while where the control has to be shared, they prefer company.

vii) *Nature of Business :-* If the work requires personal attention, it is generally set up as a sole proprietorship Units engaged in large scale manufacturing are more likely to be organized in company form or partnership form.

Points to be remembered





Discuss with teachers and peer group

Multiple Choice Questions

1. Which forms of business organisation has not the feature of unlimited liability?
   (a) Sole Proprietorship (b) Partnership
   (c) Joint Hindu Family Business (d) Company
2. Registration is compulsory in —
   (a) Sole proprietorship (b) Co-operative Society
   (c) Partnership (d) Joint Hindu Family Business
3. What are the maximum number of members in a Public Company?
   (a) 50 (b) 10 (c) Unlimited (d) 200
4. What are the main documents required to form a company?
   (a) Memorandum of association (b) Article of association
   (c) Prospectus (d) All of the above
5. Which of the following is a public company —
   (a) Samsung (b) GAIL
   (c) BHEL (d) SAIL
6. Which of the following has a separate legal entity?
   (a) Co-operative society (b) Partnership
   (c) Joint Hindu Family Business (d) All of the above
7. Name the type of manufacturing industry in which one of the Material is seperated into several useful Products
   (a) Analytical industry (b) Synthetic Industry
   (c) Processing Industry (d) Assembling

Assertion - Reasoning Questions

8. **Assertion (A)** Sole Trading Concern is treated as a "One Man Show".
   Reason (R) It is owned, controlled, managed and operated by the owner all alone.
   Codes
   (a) Both A and R are true. R is the correct explanation of A
   (b) Both A and R are true, but R is not the correct explanation of A

9. **Assertion (A)** Secrecy can be maintained in case of sole proprietorship..
Reason (R) All Sole Proprietors are always hones.
Codes
(a) Bothe A and R are true. R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is correct, but R is incorrect
(d) A is incorrect, but R is correct

10. **Assertion (A)** Secrecy can be maintained in case of sole proprietorship..
Reason (R) All Sole Proprietors are always honest.
Codes
(a) Both A and R are true. R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is correct, but R is incorrect
(d) A is incorrect, but R is correct

State whether True/False —

(I) Secrecy can be maintained in company.

(ii) A minor can be a partner in partnership for profits only.

(iii) There is no restriction on transfer of shares in public company.

(iv) A private company can commence of its business without obtaining the certificate "Commencement of Business".

(v) Table 'A' is applicable in the absence of Article of Association.

Answer the following questions in one or two words –

(I) What is the name of first stage of formation of a company?

(ii) Name the document in which all terms and conditions are described to operate partnership.

(iii) Name the partner who contributes capital in partnership and responsible for profit & loss but doesn't take part in day to day activities of business.

(iv) Is it compulsory to issue prospectus for public company?

(v) What is the minimum number of members in a public company?

1 Mark Questions :-

1. Write the name of form of business organization found only in India.
2. Name two types of business in which sole proprietorship is very suitable.
3. Name the person who manages a Joint Hindu Family business.
4. Write the names of systems which govern membership in Joint Hindu Family business.
5. Enumerate the two conditions necessary for formation of Joint Hindu Family business.
6. What is the minimum no. of persons required to form a co-operative society?
7. Explain the meaning of unlimited liability.
8. Name the type of company which must have a minimum paid up capital of 1 lakhs.
9. What is meant by minimum subscription ?
10. Identify a company which has no restriction of on transfer of shares.
11. Maruti Suzuki Pvt. Ltd. and Tata Iron and Steel company are name of two companies. Identify whether they are public companies or Private companies.
12. Rohit and Shweta are partners in a partnership business. To avoid conflicts they want to have a written agreement. Name the agreement.
13. ABC Ltd. is required to issue a prospectus. Which type of company is it ?
14. Employees of DCM Ltd. formed a society to purchase land and construct flats for their members. Which is this form of business organization.

3-4 Marks Questions

15. Different situations in different business are being elaborated below
    (a) Sahil had a matchstick factory in Nepal which got distructs by recent earthquake.
    (b) Samsung Company was charged with evasion of tax and asked to Pay fine in crores, which leads heavy losses

(c) Mr Manish., Senior Manager in telecom company share confidential information about company to competitors,

(d) Typewriter becoming redundant

. Also, Identify and Explain the risk involved in the above cases :-

Answers

(a) Pure risk (b) Speculative risk

(c) Non-insurable (d) Insurable risk

16. Mr. Karanpreet intended to start a business in the form of private limited company but he has no idea about the formalities to be followed in the form of company

(a) Suggest him a specialised person who would under take all activities for formation of a company.

(b) Explain the function of that person

Hint - Promoter

17. Ankit has two buffaloes one cow, and a calf. He takes Care of them & Sells milk Leftover is used to make milk Products like ghee, curd & Kulfi. He was honest & Pure quality Products, he gave entire Credit of his he success to his animal's.

(a) Which type of business activity is he engaged in?

(b) Under which sector is he working?

18. What is the minimum number of persons needed to form

(a) Sole propritership (b) company

(c) Hindu undivided family (d) partnership

19. Shiv, Anandi & John were partners John died in a car accident Both Shiv & Anandi decided to admit his son Ryan who was 16 years old as partner. Can they do so ? Justify.

[*Hint :* Minor as a partner]

20. Mr. Singh is in 'lighting' business for the post 15 years. To help his friend, Mr Yadav, a beginner he projected himself as a partner before Mohd. Abdul, a whole sale dealer of fancy lights. Mohd. Abdul gave Mr. Yadav the stock without asking for payment and gave him credit limit of one month. Will Mr. Singh be liable to.

28. Sita and Zoya are two friends belonging to Hindu and Muslim religion. They start a business of handicrafts together. They decide to open the factory in rural area and give employment opportunities to local residents.

i) Which form of business organization have they opted ?

ii) Write any one feature of the form ?

29. Continous exploitation of milkman of charm wood village by the intermediaries compel them to form a voluntary association to protect their interest gain access to markets there by ensuring maximum returns for their efforts and welfare of the members.

i) Name the form of business organization adopted by the milkman.

ii) Give an example of organization identifies in (i) above

iii) Which principle governs such organization and how government support them ?

30. All the members of a company are killed in an earthquake. While holding a general meeting. Will the company wind up ? Why ?

31. Rohit and Mohit are partners dealing in shares. Mohit uses firm's money to buy shares on his name. He didn't disclose this information with his friend Rohit.

a) Does Rohit have any share in the profit earned from sale of these shares?

32. Rohan, Sohan and Mohan are partners of a business of publishing books. They have adopted three villages which are educationally backward. Every year they distribute books to schools established in these villages for free to promote education. Write any one feature of partnership. Identify three values followed by the partnership firm.

33. Star Ltd. has received applications for 48 crores (issue size was 50 crores). Discuss the documents filled with the registrar of companies.

[Hint]:

i) A declaration that 90% of the issued amount has been subscribed.

ii) A declaration that all the directors have paid in cash in respect of allotment of shares made to them.

Md. Abdul if Mr. Yadav does not pay him on time ? Classify Mr. Singh's role here along with an explanation.

[*Hint :* Partner by Estoppel]

21. Akriti, Sonam & Supreeti were friends who started a partnership business. They did not get their firm registered as it was optional. Soon, Sonam & Supreeti started having conflicts. Sonam wanted to approach a lawyer. If you were a lawyer then how would you guide her ?

22. Mangal, Sazia & Suqhbeer Singh wish to start a business in partnership. They want to make a partnership deed, Suggest what aspects of the deed should be included in it ?

23. Explain any four limitations of Joint Stock Company.

24. A, B & C were partners in a financing firm. B&C had gone for a meeting in America for analysing business prospects in that country. In the mean while, A invested a huge amount of money in buying shares of a new company by borrowing money from Mr. X. This turned out to be a bad deal as the share prices soon fell. When B&C came back they said they were not liable to pay to Mr. X as they did not take the money. Were B&C right in doing so ? Under which aspect of partnership are they bound ?

25. Rohan has a shop of stationary products. He takes assistance from his brother to handle it and pays him a fixed salary. He also employed a 11 year old boy for his shop. Both the brothers regularly abuse him and cut his wages as and when desired.

(I) Which form of organization is referred here ?

(ii) Write any one feature associated with it.

26. Ravina is a Science teacher in a coaching institute. She is not satisfied with the salary being received here. So she decides to start her own coaching institute. But students generally take coaching for Science as well as maths. What do you recommend Ravina to do ?

[*Hint :* Go for partnership with a maths expert.]

27. The business assets of a firm are worth 70,000 but debt remain unpair at worth 1,00,000. What course of action can creditors take in following cases :-

i) The organization is a sole proprietorship firm.

ii) The organization is a partnership with 2 partners A and B sharing profits and losses equally.

iii) A statutory declaration that the above requirements have been completed and must be signed by the director of company.

34. Aditya is promoting a company. Before the company is formed, he enters into a contract with DLF for purchase of land and also agreed to pay 10 crores within a period of 2 months. The company was formed within 1 month. On the basis of the facts, answer the following :-

i) Which type of contract is entered by Aditya ?

ii) Is the contract legally binding on the company ?

iii) Can DLF Ltd. hold Aditya liable for the payment money?

iv) What can the company do to prevent Aditya from such a situation?

5-6 Marks Questions :-

35. Which form of business is suitable for following types of business and why ?

(a) Beauty Parlour

(b) Coaching Centre for science students

(c) Hotel

(d) Shopping mall

(e) Restaurant

(f) Small retail business.

36. Dhirubhai Chaurasiya operates a textile business. His joint family has a lot of ancestral property. All the 15 family member members are a part of this business. He is the eldest male member in the family so he heads the business. He is liable to all the creditors of the business as he is the decision maker.Dhirubhai's grandson has just born a few days ago and he is also the member of the business.

(a) Which form of business is being undertaken by Dhirubhai Chaurasiya ?

(b) Identify the features of the form of business as stated in above paragraph.

(c) According to you textile business is part of which type of industry.

37. Every day Amul collects milk from 2.12 million farmers (many illiterate) & converts the milk into branded packaged products & delivers goods all over the country. The story of Amul started in Dec, 1946 with a group of farmers been to free themselves from intermediaries, gain access to the market & there by ensure maximum returns for their efforts"

(a) From the above information, identify the form of business organisation used by Amul.

(b) Also quote the line which suggest its features ?

(c) According to you. Amul is part of which type of industry ?

38. Mohan, Sohan and Ramesh are brothers living in a village Mohan is a farmer. He grows sugar cane in his field sohan is manufacturer of sugar who is doing the business with his friends Rohan Singh and Jitender. Ramesh is a transporter. He sells the sugar in the city using his truck. This year the sugar got spoiled due to heavy rain. Sohan his friends reduced the wages of his workers to cut down their losses.

1. Classify the business activity undertaken by Mohan & Ramesh.
2. What form of business is Sohan doing with his friends. Write any two features of the form ?
3. What type of business risk is faced by them ? Explain

39. Rahul and Sanchali felt that there was an opportunity of business in providing a service of online grocery stores for working people. They analysed the idea in terms of technical, financial and economic liability. Once they found all the aspects satisfactory they decided to start a company called 'convenience @ home' private Ltd. They got the name registered with the registrar.

(a) Which steps of formation of company are being referred to here ?

(b) Also write the next 3 steps associated with it.

[*Hint :* steps in promotion of a company]

40. Lakhvinder Singh is confused as to which form of business he should follow for his garment business. You are his friend. Help him by rationally discussing the different factors so that he can take a sound business decision.

41. Comment on the following :-

i) Meeting of X Ltd. was going on in which all the members of the company were present suddenly a natural calamity occurred and all the members of the company X Ltd. died. What would happen to the existence of the company 'X' Ltd. Why?

ii) The company being an artificial person acts through its Board of Directors. All the agreements on behalf of the company are entered by the Board of Directors. When is an agreement entered by the Board of directors not legally binding on the company.

42. Sachin's father Mahesh was running a small shop selling accessories such as artificial jewellay, hair caps etc. Over the past couple of month he has been facing problem in managing it due to increase demand of the items. Although Sachin also helps his father but they both fail to attend all the customers due to space constraint. Non-availability of required finance acts as a hindrance in expanding their business. Sachin asks his father to join hands with Raja (his father's friend) to solve the problem. His father agreed and entered in to agreement with Raja in writing containing various terms and conditions.

i) Which form of business organization does Mahesh form with Raja ?

ii) Which documents contains the written agreement specifying the terms and conditions between Mahesh and Raja ?

iii) In which form of business organization Sachin help his father to attend customers.

43. Sonu, a tailor by profession was working in a famous boutique in Kamla Nagar. He was a skilled worker with many years of experience at and saving worth rupees 5 lakh. He finally decided that he would start his own boutique. He rented a shop in Rohini. He was not sure about his venture as now he would not have any security of income. But soon he started getting lot of work due to his efficiency & his profits increased.

(a)Which type of economic activity was Sonu undertaking when he was working in a boutique?

(b)Which form of business organization did he opt for later?

(c)Identify any 2 merits & 2 demerits you can recognize of the form of business opted by him.

44. Aarti is a sole proprietor. Over the part 15 years, her business has grown from operating a neighbourhood shop selling Kurtis, bags, cosmetics etc. to a retail chain with four branches in the branches, she is thinking to form a company to manage the business better. She also wants to grow further.

a) Explain two merits of Aarti as a sole proprietor.

b) Explain two advantages of her converting to a joint stock co.

c) If she wishes to grow further then which of the two options is better?

45. Identify the type of partner highlighted in the following statements:

i) This partner doesn't take part in the day to day activities of the business.

ii) He gives an impression of his being partners to others by his words or conduct.

iii) He allows reuse of his goodwill to benefit the firm and can be represented as a partner.

iv) He is represented as a partner and in spite of knowing this, he does not deny such impression.

v) His association with the firm is not disclosed to the general public.

vi) This takes active part in carrying out business of the firm.

46. Which form of business organization is suitable in the following cases :-

i) A business organization having stability and continuity.

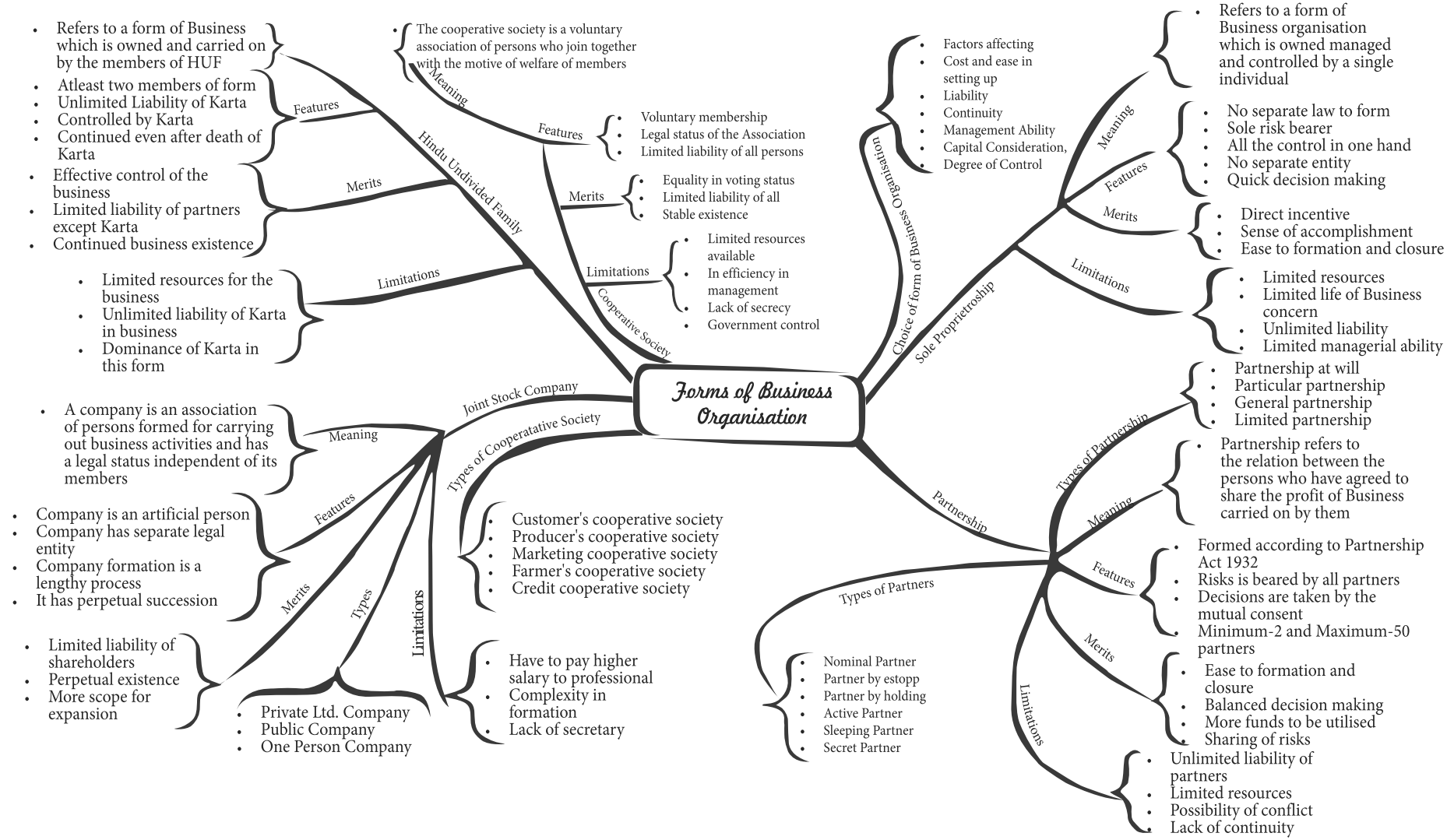
ii) There should be minimum expenses in starting the business.

iii) The business organization should be suitable from the point of view of investors.

iv) The ancestral property is to be used for doing the business.

v) More funds and professional services are required.

Mind Map : Emerging Modes of Busines



CHAPTER 3

PRIVATE, PUBLIC AND GLOBAL ENTERPRISES

Introduction:- There are all kinds of business organisation - small or large, industrial or trading, privately owned or government owned existing in our country.

The Indian economy opted for a mixed economy where both private and government enterprises are allowed to operate.

Indian Economy

Public Sector Enterprises	Private Sector Enterprises	Global Enterprises Enterprises
1. Department undertakings Indian railways, Indian Post, Doordarshan 2. Statutory Corporation LIC, FCI 3. Govt. Company Hindustan Tools Ltd., BHEL	1. Sole Proprietorship 2. Joint Hindu Family Business 3. Partnership 4. Co-operative Societies 5. Company	1. MNC's Ranbaxy, Lipton 2. Joint Venture Maruti Suzuki 3. PPP

Private Sector Enterprises	Business owned by individuals or a group of individuals
	Main objective is to earn profit and growth of
	For example Reliance Industries Limited, ITC Limited, HDFC Bank Limited etc.
Public Sector Enterprises	Owned, managed and controlled by central or state of by both government
	For example - Indian Railway, Indian Post, Doordarshan, Bharat Heavy Electricals Limited (BHEL) etc.

FORMS OF PUBLIC ENTERPRISES

I. Department Undertaking

These are established as departments of the ministry and are financed, managed and controlled by either central government or state government or jointly by both. For example- Indian Railways, Post & Telegraph, Doordarshan, Prasar Bharti.

Features

1) **Establishment :-** It is established as department of concerned ministry under central or State government.
2) **No Separate Entity :-** It has no Separate legal entity.
3) **Finance :-** It is financed by annual budget allocation of the government and all its earnings go to government treasury.
4) **Accounting and audit :-** The government rules relating to audit and accounting are applicable to it.
5) **Staffing :-** Its employees are government employees and are recruited and appointed as per government rules.
6) **Accountability :-** It is accountable to the concerned ministry.

Merits

1) It is more effective in achieving the objective laid down by government as it is under the direct control of government.
2) It is a source of government income as its revenue goes to government treasury.
3) It is accountable to parliament for all its actions which ensures proper utilization of funds.
4) Due to budgetary, Accounting and audit controls, risk of misuse of public funds is less.
5) It is suitable for activities where secrecy and strict control is require like defence production.

Demerits

1) It lacks flexibility which is essential for smooth operation of business.

2) It suffers from political interference in their day to day working.

3) It suffers from red tapism in day to day work and any required action is taken after completion of proper process.

4) This organization is usually insensitive to consumer needs due to absence of competition and monopoly.

5) Such organizations are managed by civil servants and government officials who may not have the necessary expertise and experience in management.

Suitability :-

1) Where full government control is needed.

2) Where secrecy is very important such as defence Industry.

Box 1

Following Departmental undertakings come under which ministers :-

(1) Air India Limited
(2) Coal Indian Limited
(3) C.B.S.E.
(4) Kendriya Vidyalaya Sangathan
(5) National Highway Authory of India.

[Hints :]

(1) Ministry of Civil Aviation
(2) Ministry of Coal
(3) & (4) Ministry of Education
(5) Ministry of Road Transport & Highways

II. Statutory Corporations

It is established under a special Act passed in parliament or state legislative assembly. Its objectives, powers and functions are clearly defined in the special Act.

Examples :- Unit Trust of India, Life Insurance Corporation, GAIL, SCI, FCI

Features

1. It is established under a special act which defines its features powers and functions.
2. It has a separate legal entity.
3. Its management is vested in a Board of directors appointed or nominated by government. There is no government interference in day to day functioning.
4. It has its own staff, recruited and appointed as per the provisions of act.
5. Its initial capital is provided by the government

   This type of enterprise is usually independently financed. It obtains funds by borrowing from government or form public or through earnings.
6. It is not subject to same accounting & audit rules which are applicable to government department.

Merits

1. **Internal Autonomy :-** It enjoys a good deal of autonomy in its day to day operations and is free from political interference.
2. **Quick Decision :-** It can take prompt decisions and quick actions as it is free from the prohibitory rules of government
3. **Parliament's Control :-** Its performance is subject to discussion in parliament which ensures proper use of public money.
4. **Efficient Management :-** It is Independent in recruitment and selection of their employees and professionals. Experienced specialists are appointed on important posts.

Demerits

1. In reality, there is not much operational flexibility. It suffers form lot of political interference from ministers, government officials and political parties.
2. Usually it enjoy monopoly in their field and do not have profit motive due to which its working seems to be inefficient.
3. Where there is dealing with public, rampant occupation exists. Thus public corporation is suitable for undertaking which requires monopoly powers e.g. public utilities.

Suitability : Public enterprise is suitable when :–

i) The enterprise requires special powers under an Act.

ii) The enterprise requires a huge amount of capital investment.

III. Government Company

➔ Established under the Indian Companies Act, /2013.

➔ Registered and governed by the provisions of the Indian Companies Act.

➔ Not less than 51% paid up capital is held by central govt. or by any state government or partly by central government and partly by one or more state governments.

➔ The shares of the company are purchased in the name of the president of India.

➔ Examples - State Trading Corporation of India, NTPC, Hindustan Machines Tools.

Features

1. It is registered of Incorporated under companies Act, /2013.
2. It has a separate legal entity.
3. Government has minimum 51% of paid up capital.
4. It is managed by board of directors selected by government and other shareholders.
5. Employees are recruited and appointed as per the rules and regulations contained in its Memorandum and Articles or Association.
6. The government company obtains funds from government shareholdings and other private shareholdings. It can also raise funds from capital market.

Merits

1. It can be easily formed as per the provision of companies Act. There is no need to pass special act in the parliament.

2. It ~~enjoys full autonomy~~ in management decisions and flexibility in day to day working.
3. It can a~~p~~point professional managers on high salaries.

Limitations

1. It suffers from interference from government officials, ministers and politicians.
2. It evades constitutional responsibility which a company financed by the government should have, as it is not directly answerable to parliament.
3. The board usually consists of the politicians and civil servants who are interested more in pleasing their political bosses than in efficient operation of the company.

SUITABILITY :

i) Where the government want to work along with private sector.

ii) Where projects need government planning and funds.

Box 2

Q. Identify the type of public sector enterprise in the following cases where.

a) government wishes to bring its own enterprise so that it can compete with the private sector.

b) Enterprise requires special powers to fulfill a particular purpose for social cause.

c) Enterprises is required to provide public utilities and to control the monopoly of private sector in public interest.

Ans. a) Government Company

b) Statutory Corporation

c) Departmental Undertaking

Q. Name the following:

a) A corporation established under a special law of parliament.

b) An organisation runs by a department of the government.

c) A company who 51% paid up capital is held by the government.

Multinational Companies / Global Enterprises

Multinational company may be defined as a company that has business operation in several countries by having its factories, branches or office in those countries. But it has its headquarter in that country where it is incorporated. Examples :- Coca Cola, Sony, Reebok etc.

Features

1. **Huge capital Resources :-** MNCs posses huge capital resources and they are able to raise lot of funds from various sources.
2. **International Operations :-** MNCs do business in several countries. For this, it has business, factories and offices in several countries.
3. **Centralized Control:-** MNCs have headquarters in their home countries from where they exercise control over all branches and subsidiaries. There is no interference in their day to day operations.
4. **Foreign Collaboration :-** Usually they enter- into agreements relating to sale of technology, production of goods, use of brand name etc. with local firms in the host country.
5. **Advanced Technology :-** These organisations possess advanced and superior technology which enable them to provide world class products and services.
6. **Product Innovations :-** MNCs have highly sophisticated research and development departments. These are engaged in developing new products and superior design of existing products.
7. **Marketing Strategies :-** MNCs use aggressive marketing strategies. Their brands are well known and spend huge amounts on advertising and sale promotion.

Q. Name any two Indian multinational and two foreign multinational company.

Public Private Partnership (PPP)

It means an enterprise in which a project or service is financed and operated through a partnership of public and private enterprise. PPP is a long term partnership between public and private sector. PPP model is being used in following areas :-

1) Transport - Road, Railway and Toll Bridge
2) Health - Hospital
3) Water - Collecting, Cleaning and Distributing
4) Education - School and University

Features of PPP

1. The public private partnership model allocates tasks, obligations and risk among the public and private partners in optimal manner.
2. It facilitates partnership between public sector and private sector.
3. It pertains high priority project.
4. The public partners in PPP are government entities i.e. ministries, govt. departments, municipalities or state owned enterprise.
5. The private partner can be local or foreign business with technical or financial expertise.

Box 3

Q. Identify the enterprises :-

a) Such enterprises brings in advance technology from home country.

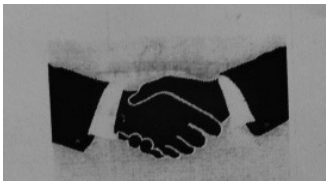
b) Such enterprises helps in completing public utilities project at much higher speed, with the help of private sector.

c) The sector where business enterprise is owned jointly by the government and private entrepreneurs.

d) This sector is exempted from accounting and audit rules and procedures. An auditor is appointed by the central government.

Ans. a) Global Enterprises (MNCs)
b) Public Private Partnership
c) Public Private Partnership
d) Government Company

Joint Ventures



Meaning

Any business organisation if it so desires can join hands with another business organisation for mutual benefit. These two organizations may be private, government owned or a foreign company.

When two businesses agree to join together for a common purpose and mutual benefit,it gives rise to a joint venture.

Features

Features of joint ventures are as follows:

1. A joint venture is the **pooling of resources and expertise** by two or more businesses, to achieve a particular goal.
2. Businesses of any size can use joint ventures **to strengthen long-term relationships or to collaborate on short term projects.**
3. The **objective of joint venture** often include business expansion, development of new products or moving into new markets, particularly in another country.
4. A joint venture can be **flexible depending upon the party's requirements.**
5. The **risks and rewards** of the business are also shared.
6. **Examples of joint ventures** are- ICICI Prudential Life Insurance Company, Microsoft and General Electric (GE), BMW and Brilliance Auto Group.

Points to be remembered

1. Private Sector's Business are owned by private individuals or groups-Reliance Industries, Airtel, LG, Samsung etc.
2. Public Sector Business are owned by the government.
3. Departmental undertakings are run as a part of govt. dept under the direction of the minister concerned.
4. Public corporation is created by a Special Act of Parliament or State Legislature.
5. Govt. Company is a Public Enterprises which has a minimum 51% of the paid up capital in the name of the Central Govt. or State Govt.
6. Global Enterprise are those companies which run in more than one Country.
7. PPP-Public Private Partnership-refers to the investment of private sector in the govt projects aimed at Public Benefit.

MULTIPLE CHOICE QUESTIONS

1. Read the following statements carefully assertion (A) and Reason (R) and choose the correct alternative

   Assertion (A): - The government generally does not interfere in their financial matters of Government Company.

   R**eason (R):** The funds of Government company organizations do not come from the central budget.

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

   (b) Both A and R are true, but R is not the correct explanation of A.

   (c) A is true, but R is false.

   (d) A is false, but R is true.

   {ans a)

2. Read the following statements carefully- assertion (A) and Reason (R) and choose the correct alternative

   Assertion (A): Under the PPP model the private sector's role in the partnership is to make use of its expertise in operations, managing tasks and innovation to run the business efficiently.

REASON (R):- Under the PPP model, public sector plays an important role and ensures that the social obligations are fulfilled and sector reforms and public investment are successfully met.

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

(b) Both A and R are true, but R is not the correct explanation of A.

(c) A is true, but R is false.

(d) A is false, but R is true.

3. LIC is the example of

(a) Department Undertaking

(b) statutory Corporation

(c) government company.

(d) private company

4. Which of the following is a group company?

(a) Hindustan steel Ltd.

(b) Tata steel Ltd.

(c) Jidas steel Ltd.

(d) All the above.

5. Which of the following is related to a Specific ministry?

(a) Indian Railway

(b) FCI

(c) Coal India

(d) BHEL

6. Which of the following is not a global enterprise?

(a) Ranbaxy

(b) Infosys

(c) Brook bond

(d) Asian Paints.

7. Government holds minimum _____ paid up capital of a company.

(a) 49%

(b) 50%.

(c) 51%

(d) 26%

8 which has no Separate legal entity?

(a) Department Undertaking

(b) Statutory Corporation

(c) Govt. Company

(d) Private company

9 Read the following statement carefully and choose the correct alternative

Statement:-1 Departmental undertakings fail to provide flexibility, which is essential for the smooth operation of business;

Statement: 2 Departmental undertakings are not subject to accounting and audit controls applicable to other Government activities.

(a) Both the statement are true.

(b) Both the statement are false.

(c) Statement 1 is true, Statement 2 is false.

(d) Statement 2 is true, Statement 1 is false.

{ans c)

10. Read the following statement carefully and choose the correct alternative

Statement:-1 The reasons behind the joint venture often include business expansion, development of new products or moving into new markets, particularly in another country.

Statement: 2 It is becoming increasingly common for companies to create joint ventures with other businesses/companies and form

strategic alliances with them.

(a) Both the statement are true.

(b) Both the statement are false.

(c) Statement 1 is true, Statement 2 is false.

(d) Statement 2 is true, Statement 1 is false.

(ans a)

11. Match the columns and choose the correct alternatives

Column I	Column II
A. Departmental undertakings	i. These are established for purely business purposes.
B. Statutory Corporations	ii. The funding of these enterprises come directly for the government.
C. Government Company	iii. These are set up under an Act of Parliament and are

(a) (A) i, (B) ii, (c) iii

(b) (A) iii (B) ii (c) i

(c) (A) iii (B) ii (c) i

(d) (A) ii (B) ii (c) i

12. Answer the following in one or two word

(i) write the name of a Govt. company _____

(ii) Toyota Motors" is a company of which country _____

(iii) when private sector involves in public sector for public benefits then it is called _____

(iv) write the name of the bank of public sector _____

(v) what percentage of capital held by Govt. in Govt. company _____

(vi) write the name of two MNCs.

(vii) FCI an example of _____ form of public enterprises.

(viii) Name the type of business enterprise which operates in more than one country.

(xi) which type of Organisation is most suitable if it is Concerned with National security and public interest.

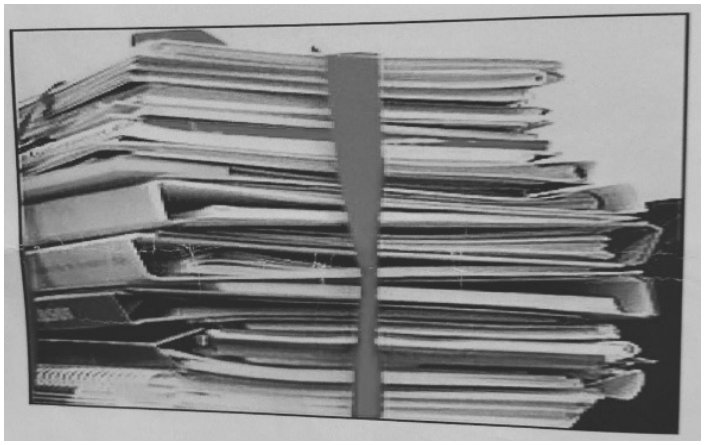
(x) Post and of Telegraph department is part of government controlled and ministry it is fully managed, the concerned ministry. The annual budget of the ministry makes provision for the funds needed by government. Name the which Sector under Post and Telegraph department comes.

13. This is a gigantic corporations which has large operations in a number of countries Identify the type of organisation



(Global Enterprises)

14. This image shows one of the demerits which belongs to one of the organizations of the public sectors. Identify the name of the organisation and the demerit.



(Departmental undertakings, Red tapism)

Long Answer Questions (5/6 Marks)

1. It is a public enterprise established under Indian Companies Act and conducts business in competition with companies in private sector.
   (a) Identify the type of public enterprise.
   (b) What is the minimum investment government has to make in such companies.
   (c) In whose name shares of this type of company are purchased.
   (d) Explain any two advantages & limitations of such companies.

2. Multinational companies establish themselves in developing countries to enjoy huge profits by selling consumer goods or luxury items. They start business by offering wide variety of good at prices cheaper than local retailers offer. But once they are established they increase prices.
   State the values the government of a developing country ignores while allowing MNC's to establish in their country.

3. After 1991, government wanted to speed up the infrastructure development that required huge investment & expertise. In the coming years, government devised a new way for it in which public sector enterprises, through clear agreements. Like Terminal 3 of Indira Gandhi International Airport.
   i) What such agreement/arrangements are called ?
   ii) Write any 3 advantages of such arrangements.
   [**Hints :** Public Private Partnership]

4. It is an enterprise which is organized, financed and controlled wholly by the centre or state government and it is under the control of its head Mrs. Jeevan Raj (IAS). He is not taking any interest in its functioning of providing cheap clean water to a large section of the society as he is busy in the preparation of his son's marriage

coming after 3 months. As a result, important decisions are getting delayed resulting in the suffering of revenue and well being of public, as it required the consent of its head.

a) Which type of organization has been described in the above para ?

b) What are the limitations of such organization in this case.

[**Hints :** Departmental Undertaking]

5. It is a public sector enterprises in which government of India held 80% of paid up share capital and it is registered as per company Act, 1956. It deals in manufacturing of Engineering goods and compete with private sector enterprises in order to achieve higher profits.

i) Which type of public sector enterprise is discussed above.

ii) Do the employees of such organization considered as Civil Employees ?

iii) Write any two characteristics of such organization.

iv) Write any two limitations of such organization.

[**Hints :** Government Company]

6. Food Corporation of India (FCI) was established through special Act. passed in Parliament in 1964 with the objective to create buffer stocks of foods like wheat, rice etc. for emergency situations like drought, flood famine etc.

i) Which type of public sector enterprise is discussed above ?

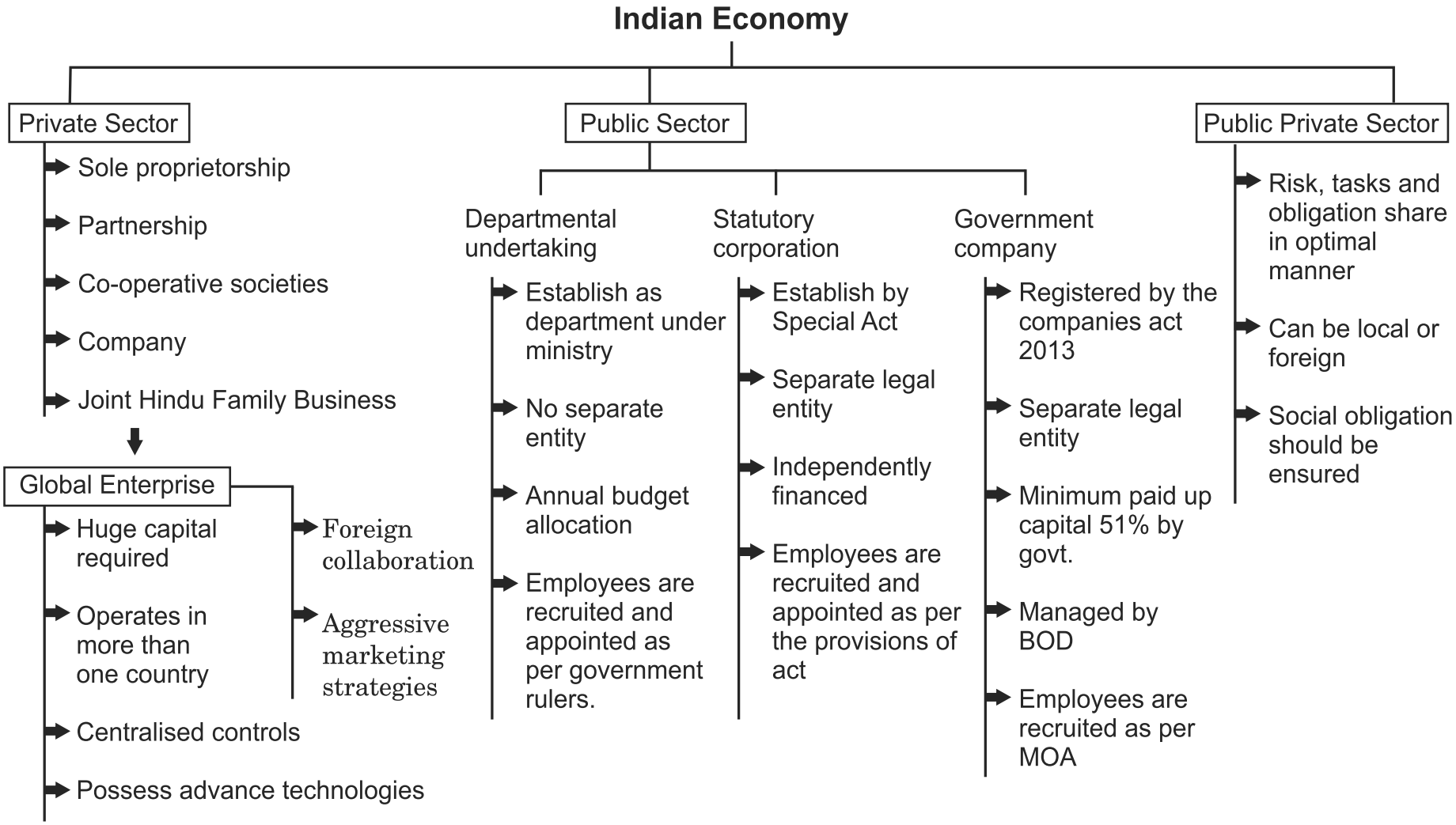
ii) Does such enterprises have separate legal entity ?

iii) Who provided initial capital to such enterprises ?

iv) Write any 2 demerits of such organization.

[**Hints :** Statutory Corporation]

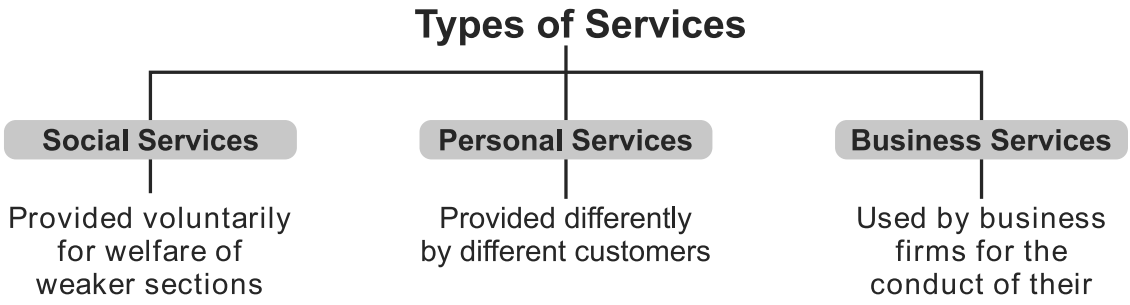
Mind Map
Private, Public and Global Enterprise



CHAPTER 4
BUSINESS SERVICES

Type of Services:-

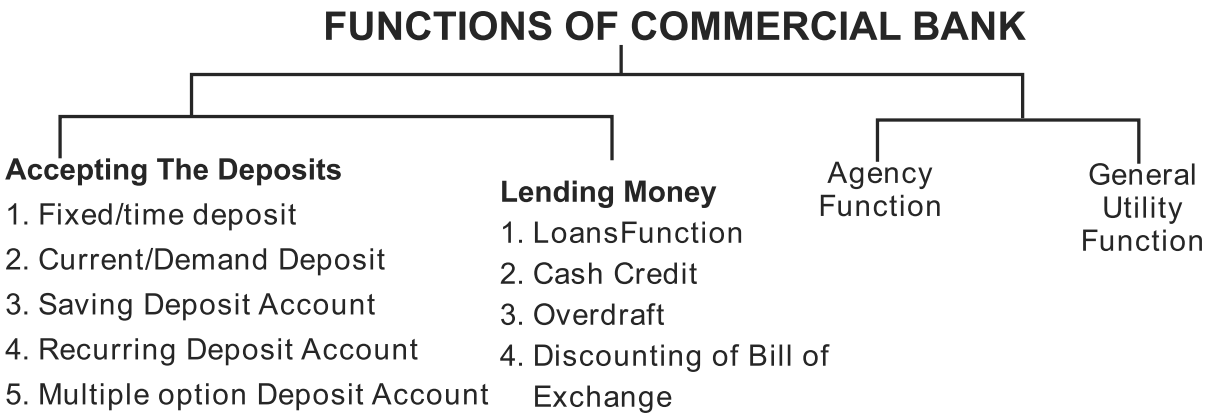
1. **Social Services :-** Provided voluntarily to achieve certain goals e.g. health care and education services provided by NGOs.
2. **Personal Services :-** Services which are experienced differently by different customers. e.g. tourism, restaurants etc.
3. **Business Services :-** Services used by business enterprises for the conduct of their activities. e.g. Banking, insurance, communication, Warehousing and transportation.



Banks

Banks occupy and important position in the modern business World. No country can make commercial and industrial progress without a well organised banking system. Banks encourage the habit of saving among the public. They mobilize small savings and channelize them into productive uses.

Meaning of Bank : Bank is a financial institution which collect deposits from public, the public repayable on demand and earns a small margin of profit by lending money.



(A) Primary Functions

1. **Accepting Deposits :-** Accepting deposits is the main function of commercial banks. Banks offer different types of Bank accounts Fixed Deposit, Current Deposit Saving Deposit Account, Recurring Deposit Account etc to suit the requirements and needs of different customers.

2. **Lending Money :-** With the help of money collected through various types of deposits, commercial banks lend finance to businessman, farmers, and others. The main ways of lending money are Term Loans, Bank overdraft, Cash Credit, and Discounting of Bill of Exchange.

(B) Secondary Functions

The secondary functions of commercial banks are as under:-

1. Agency Functions

As an agent of its customers a commercial bank provides the following services:-

(I) Collecting bills of exchange, promissory notes & cheques.

(II) Collecting dividends, interest, etc.

(III) Buying & selling shares, debentures & other securities.

(IV) Payment of interest, insurance premium etc.

(V) Transferring funds from one branch to another and from one place to another.

(VI) Acting as an agent of representative while dealing with other banks and financial institutions.

A Commercial banks performs the above functions on behalf of and as per the instructions of its customers.

2. General Utility Functions

Commercial banks also perform the following miscellaneous functions:-

(I) Providing lockers for safe custody of jewellery and other valuables of customers.

(II) Giving reference about the financial position of customers.

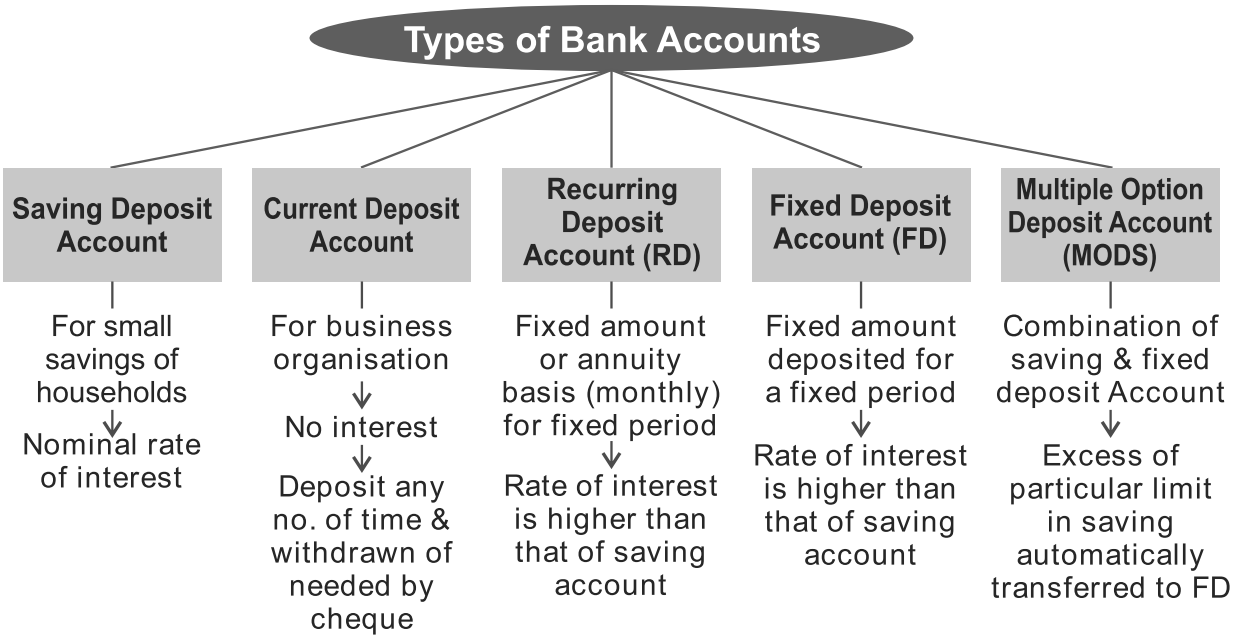
(III) Providing information to a customer about the credit worthiness of other customers.

(IV) Supplying various types of trade information useful to customer.

(V) Issuing letter of credit, pay orders, bank draft, credit cards and traveller's cheques to customers.

(VI) Underwriting issues of shares and debentures.

(VII) Providing foreign exchange to importers and travellers going abroad.



A. Fixed Deposit Account :-

- Method of Operating: Depositors deposit money once for a fixed period of time.
- Return: The longer the period of deposit, the higher will be the rate of interest on deposit.
- Benefit: Saving with return.

B. Current Deposit Account :-

- Purpose: To suit the needs of businessmen.
- Return: No interest is paid rather service charges are paid by the holder.
- Benefit: Anytime withdrawal or deposit, overdraft facility can also be awaited.

C. Saving Account :-

- Purpose: To encourage small savings by households.
- Return: Interest is paid at variable rates decided by the bank.
- Benefit: Anytime withdrawal or deposit.

D. Recurring Deposit Account :-

- Purpose: The aim of recurring deposit is to encourage regular savings by the people.
- Return: The amount together with interest is repaid on maturity.
- Benefit: The interest rate this account is higher than that on saving deposits.

E. Multiple Option Deposit Account :-

- Operating Method: Combination of savings and fixed deposit account on standing instructions the money automatically gets transferred to fixed deposit account.
- Return: Interest is paid higher rate. Rates of interest changes time to time.
- Benefit: Lower the risk of dishonoring a cheque.

OTHER BANKING SERVICES

A. **Term Loans :-** These loans are provided by the banks to their customers for a fixed period to purchases Machinery Truck. Scooter, House etc. The borrowers repay their loans in Monthly/ Quarterly/Half Yearly/Annual instalments.

B. **Bank Overdraft :-** The customer who maintains a current account with the bank, takes permission from the bank to withdraw more money than deposited in his account. The extra amount withdrawn is called overdraft. This facility is available to trustworthy customers for a small period. This facility is usually given against the security of some assets or on the personal security of the customer. interest is charged on the actual amount overdrawn by the customer.

C. **Cash Credit :-** Under this arrangement, the bank advances cash loan up to a specified limit against current assets and other securities. The bank opens an account in the name of the borrower and allows him to withdraw the borrowed money from time to time subject to the sanctioned limit. interest is charged on the amount actually withdraw.

D. **Discounting of Bill of Exchange :-** Under this, a bank gives money to its customers on the security of a bill of exchange before the expiry of the bill in case a customers needs it. For this service bank charges discount for the remaining period of the bill.

E. **Bank Draft :-** It is a financial instrument, with the help of which money can be remitted from one place to another. Anyone can obtain a bank draft after depositing the amount in the bank.

The bank issues a draft for the amount in its own branch at other places or other banks (only in case of tie up with those banks) on those places. The payee can present the draft on the drawee bank at his place and collect the money. Bank charges some commission for issuing a bank draft.

Banker's cheque or Pay Order:- It is almost like a bank draft. It refers to that bank draft which is payable within the town. In other words banks issue pay order for local purpose and issue bank draft for outstations.

ELECTRONIC BANKING SERVICES/E-BANKING

Using computers and internet in the functioning of the banks is called electronic banking. Because of these services the customers do not need to go to the bank every time he has to transact with bank. He can make transactions with the bank at any time and from any place. The chief electronic services are the following.

1. **Electronic/ Fund Transfer :-** Under it, a bank transfers wages and salaries directly from the company s account to the accounts of employees of the company. The other examples of EFTs are on line payment of electricity bill, water bill, insurance premium, house tax etc.
2. **Automatic Teller Machines :-** (ATMs) ATM is an automatic machine with the help of which money can be withdrawn or deposited by inserting the card and typing your personal Identity Number (PIN). This machine operates for all the 24 hours.
3. **Debit Card :-** A Debit Card is issued to a customers in lieu of his money deposited in the bank. The customers can make immediate payment of goods purchased or services obtained on the basis of his debit card provided the terminal facility is available with the seller.
4. **Credit Card :-** A bank issues a credit card to those of its customers who enjoy good reputation. This is a sort of overdraft facility. With the help of this card the holder can buy goods or obtain services up to a certain amount even without having sufficient deposit in their bank accounts.
5. **Tele Banking :-** Under this facility, a customer can get information about the balance in his account or information about the latest transactions on the telephone.
6. **Core Banking Solution Centralized Banking Solution :-** In this system a customer by opening a bank account in one branch (which has CBS facility) can operate the same account in all CBS branches of the same bank anywhere across the country. It is immaterial with which branch of the bank the customer deals with when he/she is a CBS branch customer.
7. **National Electronic Fund Transfer :-** NEFT refers to a nation wide system that facilitate individuals, firms and companies to electronically transfer funds from any branch to any individual, firm or company having an account with any other bank branch in the country. NEFT settles transactions in batches. The settlement takes place at a particular point of time for example,

NEFT settlement takes place 6 times a day during the week days (9.30am, 10.30 am, 12.00 noon, 1.00 pm. 3.00 pm & 4.00 pm) and 3 times during Saturday 9.30 am, 10.30 am and 12.00 noon) Any transaction initiated after a designated settlement time is settled on the next fixed settlement time.

8. **Real Time Gross Settlement :-** RTGS refers to a funds transfer system where transfer of funds takes place from one bank to another on a Real time and on Gross basis. Settlement in Real time means transactions are Settled as soon they are processed and are not subject to any waiting period.

The RTGS service for customers is available from 9.00 am to 3.00 pm on week days and from 9.00 am to 12.00 noon on Saturdays.

Difference between RTGS AND NEFT :

1. While RTGS transactions are processed continously, NEFT settles transactions in batches.
2. The RTGS system is primarily meant for large value transactions i.e above ₹ 2 Lakhs and NEFT for transaction below ₹ 2 Lakhs

Diffference

RTGS	NEFT
1. Transactions processed continuously	1. Transactions settles in batches
2. Meant for transactions > 2 lakh	2. Meant for transactions < 2 lakh

Benefits of E-Banking to customer:-

1. E-Banking provides 24 hours a day X 365 days a year services to the customers.
2. Customers can make transactions from office or house or while traveling via mobile telephone.
3. There is greater customer satisfactions through e-banking as it offers unlimited access and great security as they can avoid travelling with cash

.

Benefits of E-Banking to Banks:-

1. E-Banking lowers the transaction cost.
2. Load on branches can be reduced by establishing centralized data base.
3. E-Banking provides competitive advantage to the bank, adds value to the banking relationship.

Answer Now

1. A Company has to transfer ₹ 3 lakhs and ₹ 1 lakh to two shopkeeper in other City on urgent basis. Which banking Services should be availed by Company ?

Ans. RTGS, NEFT

2. Differentiate between RTGS and NEFT Service of Bank.
3. Natasha needed some money due to some emergency at 10 PM. Bank is closed at this time. Which Service she may use to withdraw money from bank ?

Ans. ATM/Debit Card

4. Which type of bank account of students are open in the Schools?

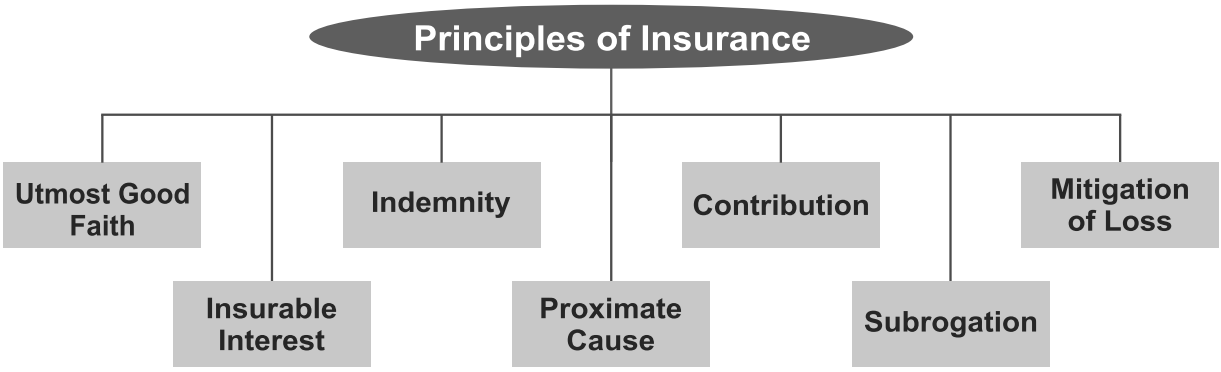
Ans. Savings

5. Rubal has a credit Card of a bank. He has to make purchase of ₹ 5000 but he has only ₹ 3000 in his bank account. Can he make purchase of ₹ 5000 with the Credit Card?

Ans. Yes he can, As in credit card no money is required in bank Account.

INSURANCE

Meaning of insurance : Insurance is a contract under which one party (insurer or Insurance Company) agrees in return of a consideration (Insurance premium) to pay an agreed sum of another party (Insured) to make good for a loss, damage or injury to something of value in which the insured has financial interest as a result of certain event.



Insurance Principles

1. **Utmost Good Faith :-** According to this principle, both parties of every insurance contract (insured and unsured) must disclose each fact and information related to insurance contract. They should not hide any fact related to insurance policy from each other. If it is not done, the contract become void / terminated.

   For example, If a person hide his/her disease while taking policy. On the death due to that disease, insurance company can refuse to pay anything to this insured / legal representatives.

2. **Insurable Interest :-** Insurable interest refers to the pecuniary (economic) interest in the subject matter of the insurance i.e., the life or property insured.

   For example, A person has insurable interest in his vehicle, parents have interest in the lives of their children. A businessman has interest in goods.

3. **Indemnity :-** This principle states that insured will be compensated for actual loss or the amount of policy, which ever is less. But life of a person can not be measured in terms of money, this principle is not applicable in life insurance. These contracts provide security from loss and no profit can be made out of these contracts.

   For example, You have insured your goods for ₹1,00,000 and goods costing ₹60,000 are destroyed by fire. Then company will pay ₹60,000. But in case goods destroyed for ₹1,50,000 insurance company will pay only ₹1,00,000.

4. **Causa Proximate / Nearest Cause :-** According to this principle, insured is compensated only for the loss caused by the reasons mentioned in insurance policy and not for any other cause. The insurance is bound to pay compensation if nearest cause is found otherwise not.

For example, Goods insured during marine insurance and cause is sea perils but goods destroyed actually by rat biting, then insurance can refuse to compensate because of this principle.

5. **Subrogation :-** According to this principle, once the insured is compensated for the loss or damage to the property insured by him/her, the right of ownership of such property automatically passes on / ownership right transfer to the insurer. Insured can not make profit by selling the destroyed property.

   This principle does not apply to life & health insurance.

   For example, A car fully damaged by an accident and insurance company paid the insurance amount to the insured. Then insured can not have ownership right over the car.

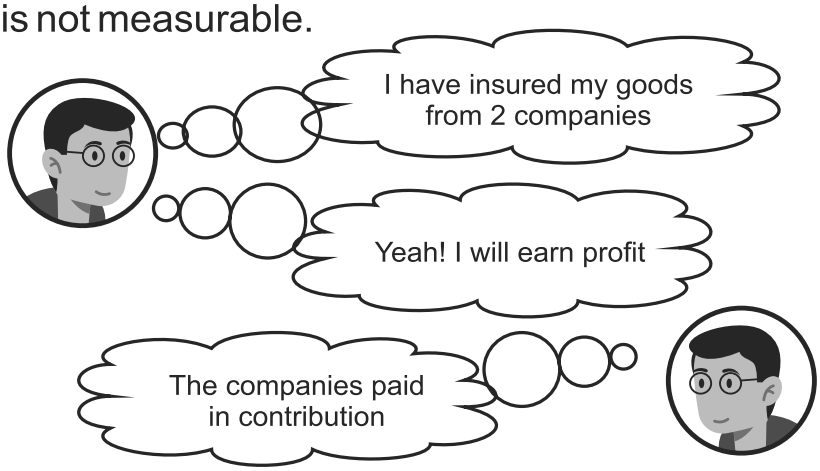
6. **Contribution :-** According to this principle if a person has taken more than one policy for the same subject-matter all the insurers will contribute the amount of loss and insured can not make profit out of double / triple insurance.

   For example, A businessman gets his shoe factory insured against fire for ₹50,000 from insurer 'S' and ₹60,000 from the insurer 'T' . Due to fire, a loss occurred for ₹22,000 then 'S' and 'T' will contribute proportionately i.e., ₹10,000 and ₹12,000 respectively.

$$S = \frac{50,000}{1,10,000} \times 22,000 \implies 10,000$$

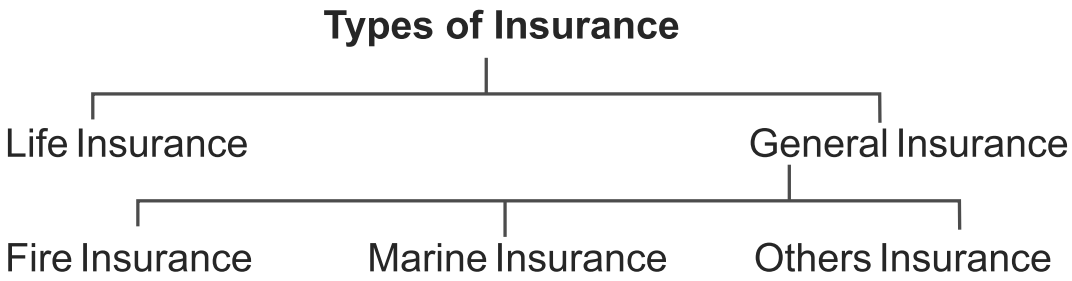
$$T = \frac{60,000}{1,10,000} \times 22,000 \implies 12,000$$

This principle is also not applicable to life insurance because loss of life is not measurable.



7. **Mitigation :-** According to this principle, the insured must take reasonable steps to minimise the loss or damage to the insured property otherwise the claim from the insurance company may be lost.

For example, At the time of fire in warehouse, owner refused to call fire brigade, and allow loss of goods due to fire. Then insurance company may refuse to compensate the loss due to the absence of this principle.



A. LIFE INSURANCE

Concept of Life Insurance:- Under life insurance the amount of Insurance is paid on the maturity of policy or the death of policy holder whichever is earlier. If the policy holder survives till maturity he enjoys the amount of insurance. If he dies before maturity then the insurance claim helps in maintenance of his family. The insurance company insures the life of a person in exchange for a premium which may be paid in one lump sum or periodically say yearly, half yearly quarterly or monthly.

Types of Life Insurance Policies:-

1. **Whole Life Policy :-** Under this policy the sum insured is not payable earlier than death of the insured. The sum becomes payable to the heir of the deceased.
2. **Endowment Life Insurance Policy :-** Under this policy the insures undertakes to pay the assured to his heirs or nominees a specified sum on the attainment of a particular age or on his death whichever is earlier.
3. **Joint Life Policy :-** It involves the insurance of two or more lives simultaneously. The policy money is payable on the death of any one of lives assured and the assured sum will be payable to the survivor or survivors.

4. **Annuity Policy :-** This policy is one under which amount is payable in monthly, quarterly, half yearly or annual instalments after the assured attains a certain age. This is useful to those who prefer a regular income after a certain age.

5. **Children's Endowment Policy :-** This policy is taken for the purpose of education of children or to meet marriage expenses. The insures agrees to pay a certain sum when the children attain a certain age.

B. GENERAL INSURANCE

(a) **Fire Insurance :-** It provides safety against loss from fire. If property of insured gets damaged due to fire, then insured gets compensation from insurance company. If no such event happens, the insured will not receive anything. For such service insurance company charges premium depending upon the amount of loss insured.

Features:-

1. Utmost Good Faith
2. Contract of Indemnity
3. Insurable Interest in Subject mater
4. Subject to the doctrine of cause proxima / nearest cause.
5. It is a contract from year to year. It generally comes to an end at the expiry of the year and may be renewed.

(b) **Marine Insurance :-** Marine Insurance provides protection against loss during sea voyage. The businessmen can get his ship insured by paying the premium fixed by the insurance company. The functional principles of marine insurance are the same as the general principles of Insurance.

(c) **Other Insurance :-**

Health Insurance has gained popularity these days. General Insurance companies provide special health insurance policies such as Medi-claim for the general public. The insurance company charges a nominal premium every year and in return undertakes to provide up to stipulated amounts for the treatment of certain diseases such as heart problem, cancer, etc.

Difference between Life, Fire and Marine Insurance :-

	Basis of Difference	Life Insurance	Fire Insurance	Marine Insurance
1.	Subject Matter	Human life	Physical assets/ property	Ship, cargo or freights
2.	Element	Protection & investment	Protection of assets only	Protection only
3.	Insurable Interest	Present at the time of effecting the policy	Present at the time of effecting the policy as well as when the claim falls due	Present at the time when claim falls due
4.	Duration	Usually exceeds a year	Does not exceeds a year	Period of voyage or mixed
5.	Indemnity	Not a contract of indemnity	Contract of strict indemnity	Contract of indemnity
6.	Surrender Value	Can surrender before its maturity has surrender value	Can't surrender before maturity Doesn't have any surrender value	Can't surrender the policy Doesn't have any surrender value
7.	Medical Examination	Necessary for the assured	Not required	Not required
9.	Loss Measure	Not in terms of money	In terms of money	In terms of money

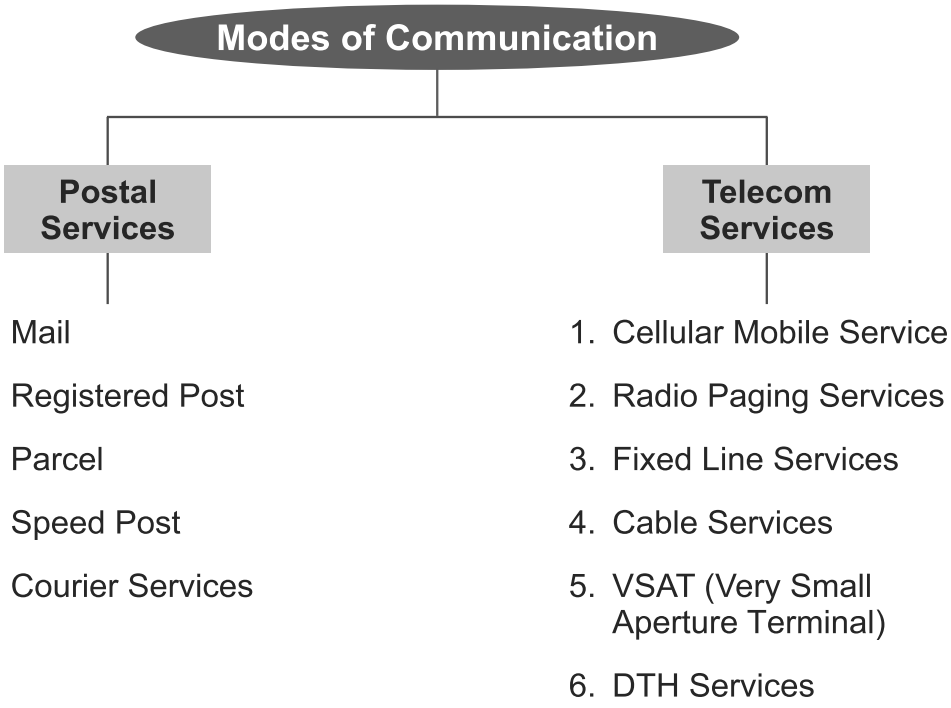
Q.1 A person insured his Stock ₹40,000 for ₹60,000 from a insurance company. All his stock destroyed in the fire. The insurance company paid him ₹40,000 actual value of stock instead of insured amount of ₹60,000. Which principle of insurance is followed by the insurance company? Explain

Q.2 Deepak did not disclose his Cancer diseases before the insurance Company, when getting insurance. Name and explain the Principle of Insurance that was not followed by Deepak.

Q. 3 Principle of Indemnity is not applied on which Insurance ?

Q. 4 Explain the Principle of Insurable Interest.

Q. 5 At what time the Insurable Interest must be present in Fire Insurance ?



COMMUNICATION

Communication:- It is an important service that helps in establishing links between businessmen. Organization, suppliers, customers etc. It educates people, widen their knowledge and broaden their outlook. It overcomes the problem of distance between people, businessmen and institutions and thus helps in smooth running of trade, industrial and commercial activities. In this fast moving and competitive world it is essential to have advanced technology for quick exchange of information with the help of electronic media. The main services can be classified into postal and telecom.

Postal Services :- Every business sends to outsiders and receives from outsiders several letters, market reports, parcel, money order etc. every day. All these services are provided by the post arid telegraph offices scattered throughout the country. The postal department performs the following services.

1. Financial Services They provide postal banking facilities to the general public and mobilize their savings through the following saving schemes like public provident fund (PPF), Kisan Vikas Patra, National Saving Certificate, Recurring Deposit Scheme and Money Order facility.
2. Mail Services The mail services offered by post offices include transmission of messages through post cards, Inland letters, envelops etc. transmission of articles through

parcel facility, registration facility and speed post to provide security of transmitted letters and articles and insurance facility to provide insurance cover for various risks in the course of transmission by post.

The various mail services all:

1. **UPC (under postal certificate):-** When ordinary letters are posted the post office does not issue any receipt. However, if sender wants to have proof then a certificate can be obtained from the post office on payment of prescribed fee. This paper now serves as a evidence of posting the letters.
2. **Registered Post :-** Sometimes we want to ensure that our mail is definitely delivered to the addressee otherwise it should come back to us. In such situations the post office offers registered post facility which serves as a proof that mail has been posed.
3. **Parcel :-** Transmission of articles from one place to another in the form of parcels is known as parcel post. Postal charges vary according to the weight of the parcels.

Allied Postal Services

1. **Greetings Post :-** Greetings can be sent through post offices to people at different places.
2. **Media Post :-** Cooperates can advertise their brands through post cards, envelops etc.
3. **Speed Post :-** It allows speedy transmission of articles (within 24 hours) to people, in specified cities.
4. **e-bill post :-** The post offices collect payment of bills on behalf of BSNL and other organizations.
5. **Courier Services :-** Letters, documents, parcels etc. can be sent through the courier service. It being a private service the employees work with more responsibility.

Q. 1	Ram has to send a very important letter to other city. Which Postal Service he should use ?
Ans.	Registered Post

Q. 2 Name two financial Services offered by the Post Office.

Q. 3 Shayam has to send a letter to Hyderabad on urgent basis. Which postal Service he should use ?

Ans. Speed Post

Q. 4 Name the Saving Schemes operated in the Post Offices.

Ans. Saving A/C, PPF

Q. 5 Chintu has to send a Book to other city. Which Postal Service he will use ?

Ans. Parcel

Telecom Services :- Today's global business world, the dream of doing business across the world, will remain a dream only in the absence of telecom services.

Key-terms

Business Services	Auxiliary to trade
Services	An activity or process
Goods	A physical object
Bank	Institution accepting deposits and lending money
Insurance	Contract under which one party agrees, in return for a consideration, to pay an agreed amount (premium of money to another party at happening of an event or at the expiry of certain period. Insurance is a means of providing protection against loss caused by natural or man-made factors.

MULTIPLE CHOICE QUESTIONS

1. Read the following statements carefully-assertion (A) and Reason (R) and choose the correct alternative

   Assertion (A):- Commercial banks are an important institution of the economy for providing institutional credit to its customers.

   Reason (R) :- Banking, insurance, transportation, warehousing and communication services are used by business enterprises for the conduct of their activities

   a) Both A and R are true and R is the correct explanation of A.

   b) Both A and R are true, but R is not the correct explanation of A.

   c) A is true, but R is false.

   d) A is false, but R is true.

   (ans b)

2. Read the following statements carefully- assertion (A) and Reason (R) and choose the correct alternative

   Assertion (A):-. According to the principle of subrogation, after the insured is compensated for the loss or damage to the property insured by him/her the right of ownership of such property passes on to the insurer

   Reason (R) :- This is because the insured should not be allowed to make any profit, by selling the damaged property or in the case of lost property being recovered.

   a) Both A and R are true and R is the correct explanation of A.

   b) Both A and R are true, but R is not the correct explanation of A.

   c) A is true, but R is false.

   d) A is false, but R is true.

   (ans a)

3. **Match the columns and choose the correct alternatives**

Column I	Column II
A. proximate cause	I. It is the duty of the insured to voluntarily make full, accurate disclosure of all facts, material to the risk being proposed and the insurer to make clear all the terms and conditions in the
B. Utmost good faith	ii. When the loss is the result of two or more causes, the direct, the most dominant and most effective cause of which the loss is the natural consequence should be taken into
C. Mitigation	iii. This principle states that it is the duty of the insured to take reasonable steps to minimize the loss or damage to the insured property.

a) (A). i, (B) ii, (C) iii

b) (A). iii (B). ii (C) i

c) (A). iii (B). i (C) ii

d) (A). ii (B). I (C) i

{ans d)

4 Read the following statement carefully and choose the correct alternative

Statement : 1 insurance is a device by which the loss likely to be caused by an uncertain event is spread over a number of persons who are exposed to it and who are prepared to insure themselves against such an event.

Statement: 2 insurable interest must be present at the time of effecting the policy but need not be necessary at the time when the claim falls due.

a) Both the statement are true.

b) Both the statement are false.

c) Statement 1 is true, Statement 2 is false.

d) Statement 2 is true, Statement 1 is false.

(ans a)

5. **Read the following statement carefully and choose the correct alternative**

Statement :-1 e-banking provides 24 hours, 365 days a year services to the customers of the bank.

Statement : 2 e-banking increases load on branches considerably by establishing centralized data base.

a) Both the statement are true.

b) Both the statement are false.

c) Statement 1 is true, Statement 2 is false.

d) Statement 2 is true, Statement 1 is false.

(ans c)

6. Match the columns and choose the correct alternatives

Column I	Column II
A. Current Account	I. It is a one time deposit and one time take away account. Under this type of account, the account holder needs to deposit a fixed amount of sum
B. Savings Account	ii. This type of bank account is mostly opened by businessmen. Associations, Institutions, Companies,
C. Fixed Deposit Account	iii. A fixed Periodic or monthly instalments need to be deposit and Premature withdrawal of the amount is permitted, provided a sum of amount is deducted as charge

Column I	Column II
D. Recurring Deposit Account	iv. There is no limit to the number of times the account holder can deposit and withdrawal of money in this account.

a) (A) i, (B) ii, (C) iii (D) iv

b) (A). iii (B). ii (C) iv (D) I

c) (A). ii (B). iv (C) I (D) iii

d) (A). ii (B). iii (C) iv (D)i

{ans c}

7 'Heterogeneity' is the nature of which type of business service-

(a) Banking (b) Insurance

© Warehousing (d) All of the above

8 Customer participation is necessary to buy a

(a) Service (b) Goods

(c) Both a & b (d) None of these

9. Which of the following is not a business service?

(a) Banking (b) Production

(c) Transport (d) Communication

10. Which of the following do not come under e-Banking?

(a) EFT (b) ATM

(c) Debit Card (d) Overdraft

11. The fee charged by the insurer on account of providing services is called

(a) Profit (b) Dividend

(c) Premium (d) Installment

12. A person gets his stock of ₹ 50,000 insured for ₹ 70,000. A fire occurs & the whole stock gels gets damaged. The insurance company will pay him only ₹ 50,000 not ₹ 70,000. Which principle of insurance is applied in this case?

(a) Principle of contribution

(b) Principle of subornation

(c) Principle of Indemnity

(d) Principle of insurable interest

13. The surrender value of a Fire Insurance Policy is

(a) Amount of policy

(b) 50% of the amount of policy

(c) Amount premium

(d) Zero

14. _____ is not covered under the contract of Indemnity.

(a) Life Insurance (b) Fire Insurance

(c) Marine Insurance (d) Theft Insurance

15. DTH services are provided by _____.

(a) Transport companies (b) Banks

(c) Cellular companies (d) None of these

16. Which of the following is not a function of Insurance?

(a) Risk sharing

(b) Assist in capital formation

(c) Lending of funds

(d) None of these

17. The largest commercial of India

(a) RBI (b) PNB

(c) SBI (d) ICICI

18. Banker's Cheque is also known as _____

(a) Bank draft (b) Demand draft

(c) Pay order (d) None of these

19. It is a type of saving bank account in which excess of a particular limit gets automatically transferred to fixed deposit account.

(a) Current deposits account

(b) Recurring deposits

(c) Multiple option deposit account

(d) None of these

20. RTGS is a fund transfer system from one bank to another -

(a) On a real time basis

(b) On gross basis

(c) Transactions are settled immediately

(d) All of these

II. One Word Answer

1. Which institute is called a borrower as well as a lender?
2. Who can get an overdraft from a bank?
3. Which type of deposit account offers maximum interest on deposits?
4. Which element is presented in Fire Insurance?
5. What is the maximum limit of period of insurance for General Insurance

III. True and False

1. Central Bank of India is the central bank of our country.
2. 'Savings Account' is most suitable for mobilisation of savings of the public.
3. The bank doesn't pay interest on current account deposits.
4. Overdrafts are only allowed in current accounts.
5. Money can be withdrawn from fixed deposit account by cheques.
6. Cargo, Hull and Freight are the subject-matter of Marine Insurance.
7. Correspondence is included in electronic services.

8. The word 'Assurance' is used for Life-Insurance.

9. Courier services is provided by private post offices for sending and receiving letters, documents, parcels, etc.

10. 'Annuity Policy' is token by those who prefer a regular income after a certain age.

ANSWER

MCQ

1.	d	2.	a	3.	b	4.	d
5.	c	6.	c	7.	d	8.	a
9.	c	10.	c	11.	c	12.	c
13.	c	14.	c	15.	d	16.	c
17.	c	18.	c	19.	c	20.	d

One Word Answer

1. Bank
2. holder of current A/c (i.e. a business man)
3. Fixed Deposit Account
4. Protection
5. One year

True and False

1.	F	2.	T	3.	T	4.	T
5.	F	6.	T	7.	F	8.	T
9.	T	10.	T				

IV. Additional Questions

Q.1 Shayam has Rs 2 Lakhs in his account. He doesn't want to use them for next two years. To earn more interest which type of bank account he should have opened with the Bank ?

(Ans Fixed Deposit Account)

Q. 2 It is the Prime responsibility of the insured to take resonable steps to minimize loss/damage to the insured property. Name the Principle of insurance. (Ans. Mitigation)

Q. 3 Name the Bank Service in which a Customer can withdraw more money from bank then money present in his account.

(Ans : Bank Overdraft)

Q. 4 Ram saves Rs. 3000 every month. Which type of bank account he should open with the bank ? (Ans : Recurring Deposit Account)

Q. 5 Rahul's father wants to save Rs. 100,000 so that he can gift the money to Rahul on his graduation day. Which type of Account should he open with bank ?

Q. 6 Name two companies that offer DTH Service in our Country ?

Q. 7 A company insures its stock against fire for Rs. 15 lakhs. A fire broke down and the total stock was lost. At the time of fire there was stock worth Rs. 25 Lakh. What is the value of compensation company would be entitled to ?

(Ans : Amount of Compensation = (Sum Assured Value of Property) x Claim for Actual Loss Ans : Rs. 9 Lakhs.

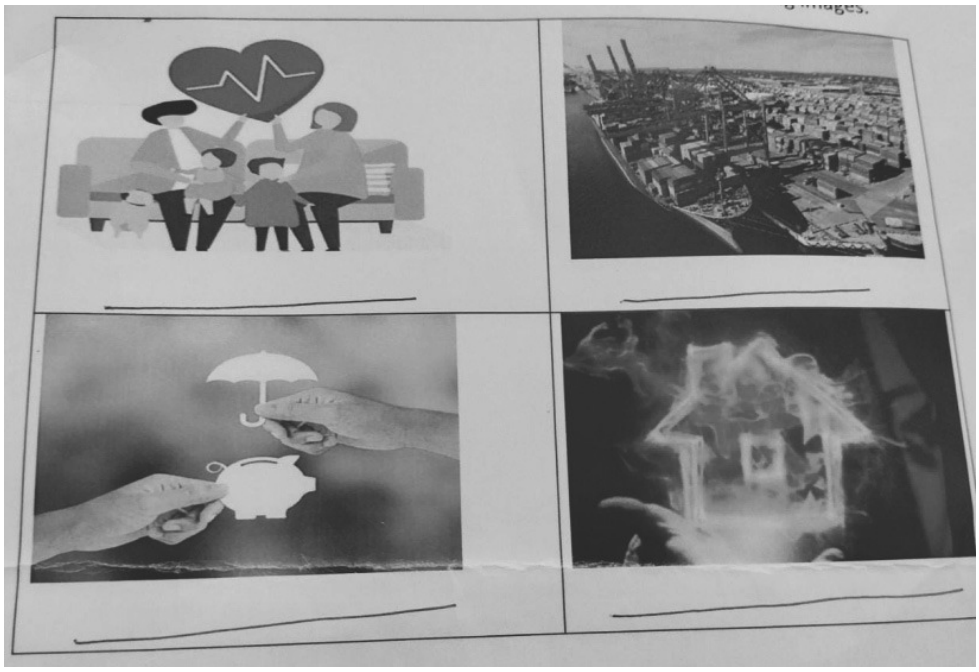
Q. 8. Which business services make utilization of Time and Place.

Q.9 This image shows one of the important business services, needed by businessmen for smooth fucntionning of business. identify it.



(Ans. Postal services)

Q. 10 Write the names of different types of insurances of the following images.



3/4 MARKS QUESTIONS

Q.1 Mr. Satish gets his house ensured against fire of Rs 20 lakh with insurer A and for Rs.10 lakh with insurer B. A loss of Rs. 3 lakh occurred.

(a) How much compensation can be claimed from A and B separately and why?

(b) Name the principle of insurance in above case.

Q.2 Name the principle of insurance for each of the following statements:-

(a) The insured is expected to disclose all the important facts related to the property insured.

(b) Insured must have some economic interest in the subject matter of Insurance contract.

(c) To claim for insurance the insured must take reasonable steps to minimize the loss.

(d) Insured is entitled to recover the loss suffered by him, up to the limit of policy amount.

Ans. (a) Utmost good faith (b) Insurable interest

(b) Mitigation (d) Indemnity

Q.3 Whether Insurable Interest is necessary in all types of Insurance? At time it should be available in Marine and Fire Insurance ?

Q.4 A person insured his Godown against Fire having value of Rs. 10 Lakhs from 3 insurance companies for A- 2 Lakhs, B- 5 Lakhs and C -3 Lakhs. At the time of loss in Godown due fire, Insurance Companies paid the insured value in the ratio of 2:5:3. Which Principle applies in this example ? Explain.

Q.5 Manmohan get insured his property for Rs. 6 Lakhs for Fire Insurance. The Actual value of the property was 8 Lakhs. There is loss of Rs. 4 lakh to the property due to fire. Calculate on the Average basis, how much Compensation insurance company will pay to Manmohan. (Ans. : 3 Lakhs)

Q.5 Ram mortgage his factory to shayam and get loan from him. Can Shayam get it insured for Fire. Explain. (Yes, As Shayam has Insurable Interest)

Q.7 Ram get insured his Car. Car met with an accident and destroyed. The Insurance company paid him the value of his car. Ram sold the accidental car for Rs. 20000. Who has legal right on this money. Explain. (Insurance Company as per Principle of Subrogation)

Q.8 A Husband purchased a Life insurance policy for his wife for 15 years. After 5 years he divorced his wife. Will the Husband has right get the maturity amount. (Yes, As Insurable Interest Needed at the time of purchase of Life Insurance Policy)

Q.9 Name & Explain the Principles of Insurance violated in the following cases :

(i) Rajeev did not disclose about his heart disease while taking Life Insurance worth Rs. 50 Lakhs.

(ii) Manoj did not make any effort to save the goods from the flood water as he has taken insurance to these goods. (Ans : Mitigation)

Q.10 Rahul had taken insurance of Rs. 3 lakh for his car (Worth Rs. 2 Lakhs) from an insurance company. After 2 months, his car got fire and damaged very badly. His car was taken by Insurance Company & Insurance amount was paid to the Rahul.

(i) How much amount was given by the Insurance Company to Rahul ?

(ii) Under which Principle of Insurance, Insurance company has taken his damaged car.

Q.11 A factory was insured with Insurance company A for Rs 70 Lakhs and Insurance company B for Rs. 90 Lakh. Due to earthquake, factory was totally destroyed. The estimated loss of Rs. 63 Lakhs.

(i) Can Insurance amount be claimed from both the companies? (Yes, but in the ratio of 7:9)

(ii) How much maximum Insurance amount will be received by the factory owner? (Rs. 63 Lakhs)

(iii) Which Principle of Insurance are being followed in the above case?

LONG ANSWER QUESTION (5-6 MARKS)

Q.1 A factory owner gets his stock of goods insured but he hide the fact that the electricity board has issued him statutory warning letter to get his factory. Wiring changed later on, the factory catches fire due to short circuit which principle is violated in the case. Explain.

Q.2 Divya Garments Ltd. has a loan of Rs. 10,00,000 to pay. They are short of funds so they are trying to find means to arrange funds. Their manager suggested to 'claim from insurance company against stock lost due to fire in the warehouse. He actually meant that they can put their warehouse on fire and claim from Insurance company against stock insured. They will use the claim money to pay loan.

(a) Will the company receive claim if the surveyer from company comes to know the seal cause of fire

(b) Which values did company ignore while planning to arrange money from false claim?

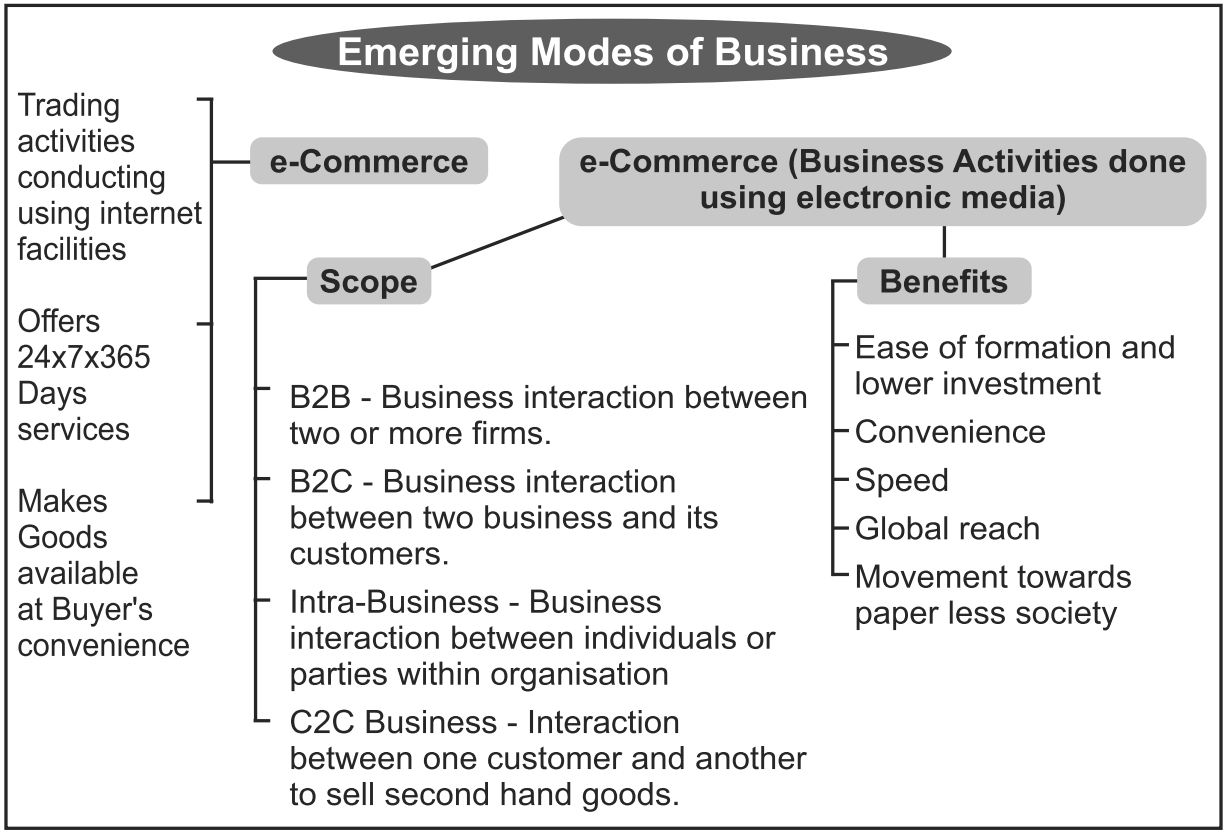
(c) Explain three elements of fire insurance.

CHAPTER 5
EMERGING MODES OF BUSINESS

Concept of e-business (electronic business) :-

1. Conducting activities of industry, trade, commerce
2. Offers 24x7x7365 day service
3. Makes good available to buyer at its convenience.
4. Services are provided using internet facilities.

Mode of Business :- Manner of conducting business.



E-Business and E-commerce

* E-business is a more broader term than e-Commerce.
* E-Commerce course a firm's interactions with its customer's and supplies over the internet.
* E-Business includes not only e-commerce but also other electronically conducted business functions such as production , inventory management, product development accounting and finance and human resources management.

VPN :- Virtual Private Network Technology would mean that employees do not have to come to office. Instead in a way the office goes to them and they can work from where ever they are.

Name the essential sources required for e-business.

Meaning

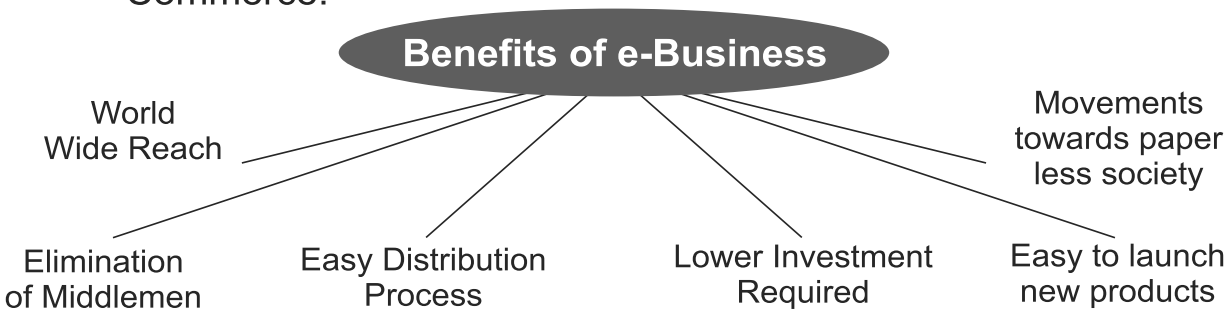
In this age of Internet, the world commerce has gradually started linking with it, this has brought a new concept of commerce called e-commerce/e-business. Now we are capable of reaching the users of Internet all over the world simply by opening a shop on the Internet. The Internet users can order for the goods, receive their delivery and make their payment while sitting at their home on the Internet. It is experienced by most during Covid-19 Pandemic situation.

Scope of e-Business

It can be understood by the view point of the parties involved and making transactions:

1. **B2B Commerce :-** it is that business activity in which two firms or two business units make electronic transaction. For example-one can be a producer firm and other a supplier firm. e.g. Maruti Udyog buying tyres, doors etc. from other firms.
2. **B2C Commerce :-** Business to customer. In this one party is a firm and other party is a customer. On one hand a customer can seek information through Internet about products, place orders, get some items and make payments and on the other hand, the firm can make a survey any time to know who is buying, and can also know the satisfaction level of customers. In modern times, call centers can provide these information.
2. **Intra-B Commerce Within business Commerce :-** Under it, the parties involved in the electronic transaction are the two departments of same business. For Example through internet it is possible for the marketing department to interact constantly with the production department and get, the customized goods made as per the requirement of customers.
3. **C2C Commerce :-** Customer to Customer Commerce - Under it, both the parties involved in electronic transaction are customers. It is required for the buying and selling of those goods for which there are no established markets. For example-selling old car through Internet.
4. **C2B Commerce :-** C2B Commerce provides the Consumers with the freedom of shopping at will. Customer can make use of call centers to make toll free calls to make queries and lodge complaints.
5. **B2E Commerce :-** Companies reporting to personnel

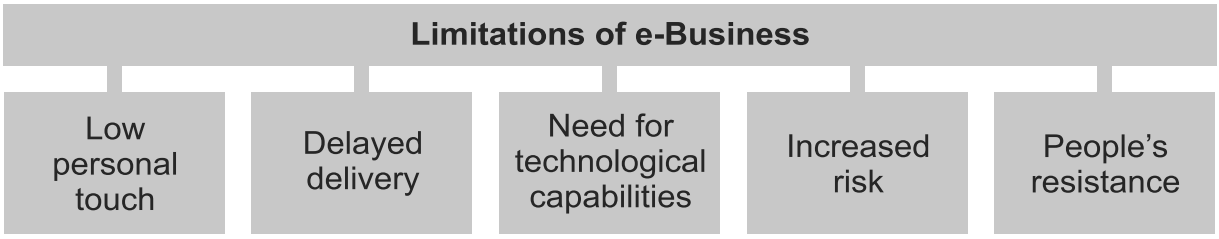
recruitment, interview arid selection and training etc via B2E Commerce.



Benefits of e-Business

To Organisation	To Consumer & Society
1. Ease of formation and lower investment requirements	1. Flexibility
2. Convenience	2. Competitive prices and discount
3. Speed	3. More options, choices and customise products
4. Global reach	4. Quick and timely delivery
5. Movement towards paperless society.	5. Employment potential
6. Competitive advantage over competitors	6. Facilitates e-Auction and e-Tenders
7. Proper time management and support business processes.	7. Wider outreach
	8. Better interaction with consumers

Limitation of e-Business



i) **Low personal Touch :-** (Lacks personal touch with customer as it is conducted over the internet.)

ii) **Incongruence between Order taking/giving** and order fulfillment speed. (fast in order taking but slow in order fulfillment)

iii) **Need for Technology Capability** and competence of parties to e-business. (fairly high degree of families with computer working, internet facility required.)

iv) **Increased risk** due to Anonymity and Non-tracebility of Parties :- (Difficult to establish/check identity & location, someone else may transact in your name risk of leakage of confidential information such as credit card details.)

v) **People Resistance** (People have a tendency to resist change due to insecurity).

Finally, to conclude, despite limitations, e-commerce is gaining importance as most of the limitations of e-business are in the process of being overcome.

Q.1	In which type of e-business transaction, both buyers and sellers are customers ?
Q.2	Identify and discuss the electronic transaction which is the part of e-business and not of e-commerce. [Hint : Intra B commerce)
Q.3	Mention any one limitation of e-business.
Q.4	Name the essential sources required for e-business.

Difference between Traditional and E-Business

Basis	Traditional	E-Business
Ease of formation	Difficult	Simple
Physical Presence	Required	Not required
Location	Near the source of raw material or near the market of the product	Anywhere
Cost of setting up	High	Low
Operating cost	High as investment in procurement, storage production, marketing distribution facilities.	Low internet connection virtual relationship rather than ownership of resources.
Nature of contacts with the suppliers and the Customers	Indirect through intermediaries	Direct
Nature of internal communication	Hierarchical from top level mgt to middle level to lower level management to operatives	Direct
Response time for meeting customers.	Long	Instant
Shape of the organizational structure	Vertical/ tall due to hierarchy	Horizontal/flat due to directness of command.
Business process & length of the cycle.	Long Sequential precedence purchase-production-marketing-sales	Shorter simultaneous different processes
Opportunity for Interpersonal touch.	much more.	Less
Ease of going global	Less	Much
Govt. Patronage	Shrinking	Much as IT sector is priority
Nature of human capital	Semi-Skilled & even unskilled manpower	Technically qualified.
Transaction Risk	Low due to face to face contract	High due to distance and anonymity of the parties.

Identify the types of business given below :-

i) Ram, a wholesaler sells bangles, accessories etc. in Chandni Chowk.

ii) Mohan, a businessman sells his products e.g. purses, necklace etc . through www.amazon.in

Key-terms

E-business — Process of performing business activities electronically (Internet)

VIRUS — Vital Information and Resources Under Siege

e-Trending — Online buying and selling of securities

Digital Cash — Electronic cash existing in cyberspace

e-commerce — Firms interactions with its customers and suppliers over internet

B2B Commerce — Electronically conducted business transactions between business to business.

B2C Commerce — Electronically conducted business transactions to customers

Intra B Commerce — Business transactions within a given business firm

C2C Commerce — Business transactions between consumer to consumer

Digitisation — Transmission of text, sound, images etc., electronically

Multiple Choice Questions

1. e-Business includes

   (a) e-commerce (b) Production

   (c) Product development (d) All of the above

2. Digitisation means transmission of _____.

   (a) text (b) sound

   (c) images (d) all of the these

3. Complaint lodged by a customer at the company's call centre is a type of _____ of e-business transaction

(a) C2B Commerce (b) B2C Commerce
(c) Intra B Commerce (d) C2C Commerce

4. B2B Commerce means:

(a) Firm's interactions with other business

(b) Firm's interactions with its customers

(c) Firm's internal processes

(d) None of the above

5. The payment mechanism typical to e-business

(a) Cash on Delivery (COD) (b) Cheques
(c) Credit & Debit Cards (d) e-cash

6. **ASSERTION AND REASON:**

Assertion: Selling of refurbished washing machine is an example of C2C Commerce. Reason: Buyer and seller of such a product are consumers only.

(a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is correct but Reason (R) are is incorrect.

(d) Assertion (A) is incorrect but Reason (R) are is correct.

7. Use of ATM to withdrew money is an example of

(a) B2B Commerce (b) B2C Commerce
(c) C2C (d) C2B Commerce

8. Assertion: The length of business cycle is longer in case of e-business.

Reason: Various processes can be curbed simultaneously.

(a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is correct but Reason (R) are is incorrect.

(d) Assertion (A) is incorrect but Reason (R) are is correct.

9. **Assertion:** There is more risk in the traditional business.

Reason: Parties have no personal interaction while buying and selling.

(a) Both Assertion (A) and Reason (R) are correct and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are correct but Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is correct but Reason (R) are is incorrect.

(d) Assertion (A) is incorrect but Reason (R) are is correct.

10. e-Commerce does not include

(a) A business's interactions with its suppliers

(b) A business's interactions with its customers

(c) Interaction among the various departments within the business

(d) Interactions among the geographically dispersed units of the business

One Word Answer

1. What does 'e' stand for in e-business?
2. Write full form of VIRUS.
3. Write an advantage of e-commerce.

True & False

1. e-business provides customer's wider choice.
2. Sweet-shopping means benefit of low cost manpower.
3. The delivery of some goods can be taken on internet.
4. 'Converting the message into a code so that unauthorised persons may not understand it' is called Encryption.
5. A website means a firm's location on the www.
6. Digital cash is also called 'Plastic Money'.
7. B2B commerce is that business activity in which two firms make

electronic transactions.

8. Verticals are the firms which provide their services to wide base of clients, cutting across industries.

9. World wide reach is one of the limitations of e-Business.

10. An unauthorised entry into a website refers to 'Hacking'.

Answers

Multiple Choice Questions

1.	(d)	2.	(d)	3.	(a)
4.	(a)	5.	(d)	6.	(a)
7.	(c)	8.	(d)	9.	(b)
10.	(b)				

One Word Answer

1. Electronic
2. Vital Information Resources Under Seize
3. World Wide Reach

True & False

1.	T	2.	T	3.	T
4.	T	5.	T	6.	F
7.	T	8.	F	9.	F
10.	T				

VERY SHORT ANSWER QUESTIONS (1 MARK)

Q.1 Ram stays in a hostel in USA and his parents stay in Mumbai Ram birthday is in five days and his parents wish to gift him a pair of branded shoes. How can they gift?

Q.2 Which programme imitates itself on other computers systems and can damage the data and can even lead to complete destruction of the system.

Q.3 Out of e-business and traditional business, which one enjoys ease of going global ?

Q.4 Which method of payment is mostly used for making online transactions.

Q.5 Name some things whose possessions can be taken via computer.

Q.6 Can the possession of a car be taken by computer transaction?

Q.7 A person orders pizza online and makes the payments also but he doesn't get the delivery. What type of risk is being referred here?

Short Answer Questions 3/4 Marks

Q.8 Distinguish between e-commerce and e-business.

Q.9 What do you mean by:-

i) B2B Commerce ii) B2C Commerce

iii) Intra B- Commerce iv) C2C Commerce

Q.10 Briefly discuss the various modes of payment for goods purchased through online shopping.

Q. 11 www.xyz.com an e-business portal sells clothes and accessories. Nisha buys some clothes from them and makes e-payment for it. But when the clothes arrive, they are found to be defective. The e-business portal takes the clothes and refunds her payment. What values according to you are being presented by the portal ?

Q. 12 Different between Traditional Business and E-business on the following basis :-

(i) Physical Presence
(ii) Global Reach / Each of going global
(iii) Operating Costs

LONG ANSWER QUESTION (5/6 MARKS)

Q.13 www.olx.in, www.quicker.com etc are examples of websites used to conduct business. Dipti's sofa set got spoiled in rain. Her friend suggested that she should change the fabric so that it looks new and put it for sale on www.olx.com Dipti followed her friend's advice and got her sofa repaired so that it looks better and uploaded nicely clicked pictures on www.olx.com in without disclosing the fact that it was damaged from inside. She found a customer and sold it for Rs. 9,000. After one week the buyer found the real state of sofa set and called Dipti but she did not

answer any of the call.

(i) Name the type of business in above case.

(ii) Which values did Dipti ignore while selling her sofa set?

(iii) Explain two advantages and disadvantages of e-commerce

Q. 14 Explain any four limitations of electronic mode of doing business. Are these limitations severe enough to restrict its scope? Give reasons for your answer.

Q.15 Which type of e-business transaction is depicted below :-

i) Selling of old clothes on e-bay.

ii) Managing stock and cash accounts of an organization.

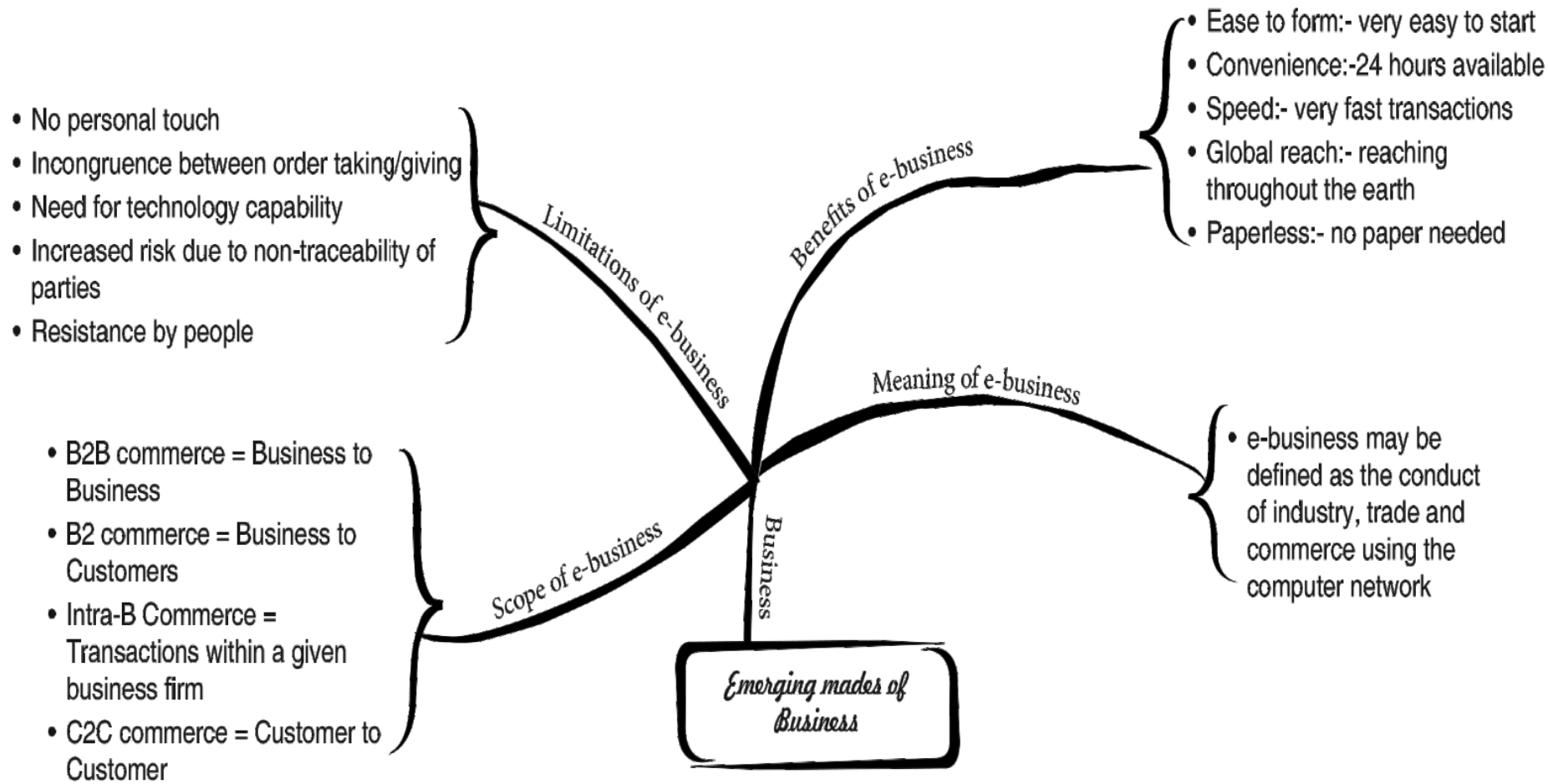
iii) Maruti Udyog buying security lock system from Autocops.

iv) Withdraws money form ATM.

v) Collecting daily report of employees on e-mail.

vi) Registering complaints online in company's call centre.

MIND MAP
Emerging of Business



CHAPTER 6

SOCIAL RESPONSIBILITY OF BUSINESS AND BUSINESS ETHICS

CONCEPT OF SOCIAL RESPONSIBILITY

A business is a part of society. So, a business enterprise should do business and earn money in ways that fulfil the aspirations of the society. Thus social responsibility relates to the voluntary efforts on the part of the businessmen to contribute to the social well being. The businessmen make use of resources of society and earn money from the members of society so they must do something for the society.

Arguments in favour of Social Responsibility:

There is a need for Social Responsibility of business for Existence and Growth :-

1. **Justification for Existence and Growth :-** Business is the creation of society therefore it should respond according to the demands of the. society. To survive and grow in the society for long run the business must provide continuous services to the society.
2. **'Long term Interest of the firm :-** A firm can improve its image and goodwill in the long run when its highest goal is to serve the society. If it indulges in unfair Trade Practices e.g. adulteration, hoarding black marketing it may not be able to exist for long.
3. **Avoidance of government regulations :-** Business can avoid the problem of government regulations by voluntarily assuming social responsibilities.
4. **Availability of resources with business :-** Business has valuable and human resources which can be effectively used for serving problems of the society.
5. **Better environment for doing business :-** Social responsibility enhances the quality of life and standard of living of people. So, business will get better community to conduct business by improving environment.

Social Responsibility and Business Ethics

- Justification for existence and growth
- Long term interest of the firm
- Avoidance of government with business
- Better environment for doing business
- Holding Business responsible for
- Social problems

Arguments for social Responsibilities

- Economic
- Legal
- Ethical
- Discretionary

Kinds of social Responsibility

Social Responsibility of Business

- Refers to the obligation of business organisation to contribute resources. For solving social problems and work in a socially desirable manners.

Shareholders

- Providing fair returns
- Safety of investments
- Keep owner's informed about important information
- Maximise share holder wealth
- Involve shareholder in policy decision

Government

- Payment of taxes on time
- No efforts to evade tax
- Must follow, laws of country
- Voluntarily help government to reduce social problems
- Contribute to government relief and rescue programmes

Community

- Protect environment from pollutions.
- Maintain clean image through honest deals.
- Create opportunities for upliftments of weaker societies.
- Provide Assistance to society.

Workers

- Provide opportunities for growth and development
- Pay fair wages and salaries
- Provide good and comfortable working conditions
- Treat all employees equally and appreciate efforts
- Provide democratic rights

All interest groups

1. Shareholders
2. Workers
3. Consumers
4. Government
5. Community

Consumers

- Right quality and quantity at reasonable prices
- Must not follow any malpractices
- Must provide after sales services
- Must disclose all important information
- Update products from time to time

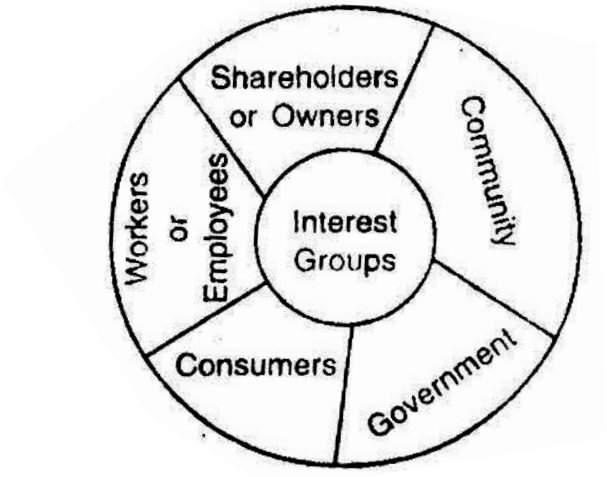
6. **Contribution to social problems :-** Some of the social problems have been created by business firms themselves such as pollution, creation of unsafe work places, discrimination etc, Therefore, it is the moral obligation of business to solve such social problems.

Arguments Against Social Responsibility : major arguments against social responsibility are:

1. **Profit Motive :-** A business is an economic entity that is guided by profit motive. It should not waste its energies and resources in fulfilling social responsibility.
2. **Burden on consumers :-** Involvement of business in social responsibilities involve a lot of expenditure which will ultimately be borne by the customers.
3. **Lack of Social Skills :-**The business firms and managers have the skills to handle business operation. They are not expert to tackle the social problems like poverty over population etc. Therefore, social problems must be tackled by social experts.
4. **Lack of public support :-** Generally public does not like business involvement in social problems. Therefore, business cannot fulfil social responsibility because of lack of public confidence & cooperation.

SOCIAL RESPONSIBILITY TOWARDS DIFFERENT INTEREST GROUPS

Business has interaction with several interest groups such a shareholders, workers. consumers, government and community Business is responsible to all these groups.



1. Responsibility towards shareholders:-
   (i) To ensure a fair and regular return on the investment of shareholders.
   (ii) To ensure the safety of their investment
   (iii) To strengthen the financial position of the company.
   (iv) To safeguard the assets of the business.
   (v) To protect the interest of all types of investors in the business.
2. Responsibility Towards workers :-
   (i) Providing fair compensation and benefits,
   (ii) Providing good and safe Working conditions, iii) To develop a sense of belonging-ness.
3. Responsibility toward consumers :-
   (i) To supply right quality of goods & services at reasonable prices.-
   (ii) To ensure regular and adequate supply of products.
   (iii) To inform them about new products and new uses of exist in products.
   (iv) To handle the customers grievance promptly.
4. Responsibility Towards Government -
   (i) To pay taxes honestly
   (ii) To observe rules laid down by the government,
   (iii) to avoid corrupting government employees.
5. Responsibility towards community -
   (i) To make available opportunities for employment,
   (ii) To avoid polluting the environment,
   (iii) To up lift the weaker sections of society
6. Responsibility towards suppliers -
   (I) fair, regular, timely payments to suppliers.
   (ii) adopt fair dealing with suppliers,
   (iii) helps supplier to improve quality of products

BUSINESS AND ENVIRONMENTAL PROTECTION:-

Meaning of Environment : - The environment is defined as the

totality of man's surroundings - both natural and man made. Natural Resources-all land, water, air and man made - cultural heritage. socio economic institutions and the people.

Meaning of Environmental pollution :- It means injection of harmful substances into the environment. The greatest problem that industries and businessmen are creating is that of pollution - which is the result of industrial production. So, protection of environment is must.

Causes of Pollution :- Many industrial organizations have been responsible for using air, water and noise pollution.

1. **Air Pollution :-** Due to smoke, chemical emitted by factories, vehicle. It has created a hole in the ozone layer leading to global warming.
2. **Water pollution :-** Due to chemicals and waste dumped into the rivers, streams & lakes. It has led to the death of several animals and posed a serious problem to human life.
3. **Land Pollution :-** Due to dumping of garbage and toxic wastes which affect the fertility of land and makes it unfit for agriculture.
4. **Noise Pollution :-** Caused by the running factories and vehicles. Noise pollution can be responsible for many diseases like loss of hearing, violent behaviour and mental disorder.

NEED FOR POLLUTION CONTROL :-

1. **To ensure healthy life :-** Many diseases like cancer, heart attack and lung complications all caused by pollutants in the environment. Pollution control is must to keep a check on these diseases.
2. **To ensure safety :-** Due to environmental pollution and smoke the visibility is reducing due to which chances of accidents have been increasing. To reduce the number of accidents there must be a check on pollution.
3. **Economic Losses :-** Pollutants in the environment bringing heavy economic losses for the country, for example Taj Mahal is losing its beauty due to pollution.
4. **Improved Public Image :-** A firm that adopts pollution control measures enjoys a good reputation as a socially responsible enterprise.

ROLE OF BUSINESS ENVIRONMENTAL PROTECTION:

1. Eco-friendly and clean or low waste technology should be used

by industrial organization.

2. Industrial Wastes should be recycled as far as possible.
3. Plant and machinery should be modernized to minimize pollution.
4. The business houses should comply with the laws and regulations enacted for prevention of pollution.
5. Positive steps should be taken to save environment. These include, plantation of trees, cleaning of rivers, ponds etc.

CONCEPT OF BUSINESS ETHICS

BUSINESS ETHICS: Refers to the moral values or standards or norms which govern the activities of a businessman. Ethics define what is right and what is wrong. By ethic we mean the business practices which are desirable from the point of view of Society. The purpose of business ethics is to guide the managers and employees in performing their job. Example of business ethics are charging fair price from customers, giving fair treatment to workers, earning reasonable profits and paying taxes tithe government honestly.

ELEMENTS OF BUSINESS ETHICS

1. Top management commitment - The CEO and higher level managers must be committed to ethical norms of behavior. This would set an example for all employers and encourage them to follow ethical practice.
2. Publication of code - Code of ethics is a formal written document of the principles, values and standards that guide a firms actions. It may cover areas like honesty, quality, safety, health care etc.
3. Establishment of compliance mechanism: A suitable mechanism should be developed to comply with the ethical standards of the enterprise. The mechanism should be properly communicated to all in the organization.
4. Employee involvement: It is the employees of the lower levels who implement ethical principal so they must be involved in the process of developing ethical code.
5. Measuring results: Although it is difficult to measure the ethical results but it must be verified and audited that have for work is being carried according to ethical standards.

Multiple Choice Questions

1. **Assertion**: Like an individual, business enterprise should also be a loyal citizen of the state.

   Reason: The business is also a part of system. It makes use of resources of society.

   (a) Assertion is correct, reason is incorrect.
   (b) Assertion is incorrect, reason is correct.
   (c) Assertion and reason both are correct.
   (d) Assertion and reason both are incorrect.

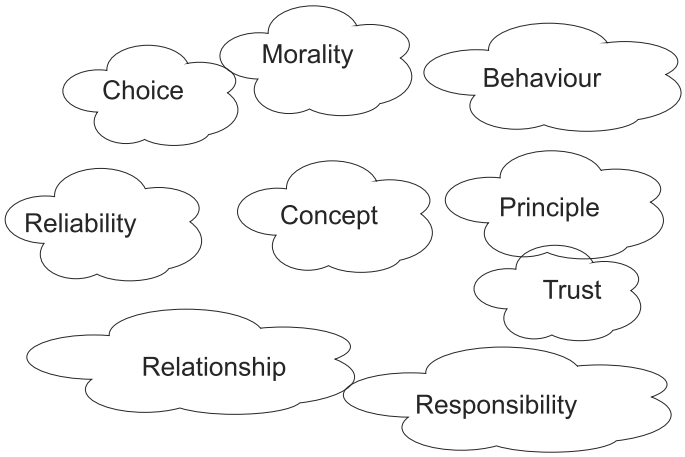
2. Which of the following is not the social responsibility of business towards investors?

   (a) To ensure safety of capital
   (b) To ensure proper dividend
   (c) To ensure the proper utilization of capital
   (d) To give appropriate salary

3. Which of the following is the social responsibility of managers towards the employees:

   (a) Providing clean working atmosphere
   (b) Giving security of service
   (c) Adopting incentive - giving system
   (d) All of the above

4. Identify the concept evolved through picture?



5. Carbon monoxide emitted by automobiles directly contributes to .....

(a) Water pollution
(b) Noise pollution
(c) Land pollution
(d) Air pollution

6. **Assertion:** Businesses being economical units must only concentrate on profit making.

Reason: More profits means more rewards for the different factors of production and overall economic development.

(a) Assertion is correct, reason is incorrect.
(b) Assertion is incorrect, reason is correct.
(c) Assertion and reason both are correct.
(d) Assertion and reason both are incorrect.

7. Social responsibility is
(a) Same as legal responsibility
(b) Narrower than legal responsibility
(c) Broader than legal responsibility
(d) None of the above

8. If business is to operate in a society which is full of diverse and complicated problems, it may have
(a) Little chance of success
(b) Good, chance of success
(c) Little chance of failure
(d) No relation with success.

9. If business is to operate in a society which is full of diverse and complicated problems, it may have .....
(a) Little chance of success
(b) Great chance of success
(c) chance of failure
(d) No relation with success or failure

10. **Assertion:** Business must procure supplies from large enterprises.

Reason: Large enterprises earning economies of scale can

provide more discounts and contribute towards balanced regional development.

(a) Assertion is correct, reason is incorrect.

(b) Assertion is incorrect, reason is correct.

(c) Assertion and reason both are correct.

(d) Assertion and reason both are incorrect

One Word Answer

1. Give an example of ethical responsibility of business.
2. Out of medical, law and business, ethics are related to which activity.
3. Give an example of discretionary responsibility of business.
4. "An enterprise must provide good quality and unadulterated goods and services" It is an example of its responsibility towards which group?
5. Give an argument in favour of social responsibility of business.
6. Mention anyone factor which make a case for pollution control.
8. Give one example of business activity which are considered unethical.
9. Which is capable of doing maximum good to society?

True & False

1. The only obligation of a business towards its employees is to pay them well so that they work to their maximum capacity.
2. legal responsibility means compliance with the law i.e. payment of taxes regularly and honestly.
3. A business is a socio-economic institution.
4. The principle of 'Caveat Vendor' means 'let the buyer beware'.
5. Making no adulteration is not the responsibility of business towards its employees.
6. Water pollution is caused by dumping of garbage and toxic wastes.
7. What is good for the society is also good for the business.
8. Providing accurate and up-to-date information on the financial position of the company is a responsibility of the business towards government and community.
9. Ensuring proper dividend is the responsibility of business towards its customers.

Multiple Choice Questions - Answers

1.	(d)	2.	(d)	3.	(d)
4.	(b)	5.	(d)	6	©
7.	(c)	8	(c)	9.	(a)
10.	(a)				

One Word Answer

1. To respect religious sentiments of people.
2. Related to all activities.
3. To help the flood/earthquake affected people.
4. Long-term interest of the firm/avoidance of govt. regulations.
5. Cost savings/improved public image.
6. Exploitation of workers/making deceptive advertisements.
7. Ethics.

8. Black-marketing or any other

9. Providing goods and services to consumer at competitive prices.

True & False- Answers

1.	F	2.	T	3.	T
4.	F	5.	T	6.	F
7.	T	8.	F	9.	F

1 MARKS QUESTIONS :-

1. To give complete information regarding finance position of the company is the social responsibility of organization towards which interest group ?

2. "Responsibility of a business extends beyond its economic responsibility." Mention the name of this responsibility. (Social Responsibility)

3. "A business organization has adopted the policy of refraining from profiteering and hoarding." Mention the interest group for which this policy is relevant?

4. "An Industrial unit discharges toxic gases from its chemical plant." Mention the type of pollution created by the unit. (Air Pollution)

5. "Business must focus on the varied interest of the society:. Give any one reason in support of this statement. (As business is a part of society)

3/4 MARKS

11. LMN Ltd. is filing its income tax returns on time. They are also updating their shareholders about their projects and provide for return to them. Towards which interest group are they fulfilling their responsibility? Which values are being followed by the Co.?

12. ABC Ltd. deals in health drinks. It is found that there are components of pesticides in their drinks. Mention which to kinds of responsibilities and 2 values are missing from this approach.

13. ABC Ltd. while advertising its deodorant range presents females in a derogatory manner which offends religious group also. Which kind of social responsibility is being neglected. Also, what value are being compromised?

14. XYZ Co. is providing facilities for their female staff like day care centre for kids and work form home facility. By doing this they are following social responsibilities towards which interest group? Also, what values are they presenting?

15. ABC Ltd. is a small company which makes disposable paper plates which are environment friendly. They are made from the dark and dry leaves of tress available in the north east states of India .

    i) Towards which interest group is the business following its social responsibility ?

    ii) Write any two values presented by the company.

16. Maruti Suzuki Ltd. is a car manufacturing company which found that 7700 Belano Desire cars manufactured by it had some problems with their engines. By Fulfilling Business Ethics the company recalled all the cars and corrected the problems. State any four values followed by the company.

17. It is a complex problem that motivates business managers and decision makes to face boldly the problem of environmental population. Environment consists of natural surrounding of the man as well as conditions developed by man. Environment is being constantly polluted which is not good for the survival of human-beings.

    i) Recognize the complex problem in the above paragraph.

    ii) Enumerate the two points regarding the causes of this complex problem.

18. Your friend Rajesh runs a factory in the city. His factory is spreading air, water and noise pollution. What advice would you give him for keeping the environment pollution free.

19. Besides looking after the interest of its owners a business ought to look after the interests of other groups as well. These other groups include employees, consumers, suppliers, competitors government, the community and the world also. Now a days only those business are considered good which besides looking after the interest of its owners also cater to the interests of these groups also. Which concept of business is explained in this statement? Recognize that concept and explain its meaning as well.

20. The owners of Gupta and Gupta pvt. Ltd. are taking special interest in getting plants planted ground their factory. Apart form it, they dump the waste water of their factory only after passing through the efficient treatment plant. Explain the value which this company is following.

21. This is the speciality of the Rajdhani Floor Mills that it gives handsome remuneration to its employees. The employees of the mill are a happy alot and they motivate their friends to work here. Enumerate which values are being affected here?

22. The Chief manager of Surya Ltd. Mr. Mohan is taken huge interest in fulfilling his social responsibilities towards the government. Explain the company is showing its commitment, regarding the fulfilment of its social responsibility. Give any three points.

23. XYZ Ltd. is a cigarette manufacturing company. It does not put the mandatory disclaimer that Cigarette smoking is injurious to health.
    i) Towards which interest groups is it not followed by the responsibility.
    ii) What are the values lacking here ?

24. LMN Ltd. Co., a car manufacturing company, found that 100 cars of a particular batch had some problem with their engines. It recalled all the cars and corrected the specified problem.
    i) What values are being followed by the company?
    ii) Towards which interest group are they being responsible here?

5/6 MARKS

25. It is in the interest of business to fulfill its social responsibilities towards different interest groups. Explain?

26. MNO Ltd., a renowned computer follows the vision of "reaching new heights with its people on its side". It not only provides quality products but also provides various facilities to its employees for 5 years of service. It also provides computer skills to youth in remote areas for free.
    (a) What according to you are the business ethics of the

company?

b) It is fulfilling its social responsibilities towards which interest groups?

27. There is a group discussion taking place in class XI regarding social responsibility of business. Ravi feels that a business should be socially responsible towards the society it exists in Vimal Sharma is against it as basic objective of a business is to earn profit. Whom do you think, you favour? Write points with respect to you opinion.

28. ABC bank is providing e-banking facility to its customers. A group of employees of the bank are sharing the personal Financial details of the customers with some unscrupulous individuals to back their accounts.

(a) From the above given information what risks of e-business do you identify.

(b) Towards which interests group is the bank not paying-attention?

29. An organization manufacturing paints has been enjoying a prominent market position since many years. It has been dumping its untreated poisonous waste on the river bank which has created many health problems for the nearby villages.

a) What kind of pollution is caused by the above cited organization.

b) Which responsibility is not being taken care by the concerned organization.

[**Hints :** (a) Water pollution (b) Social Responsibility towards community (c) Environment Protection, compliance of legal laws]

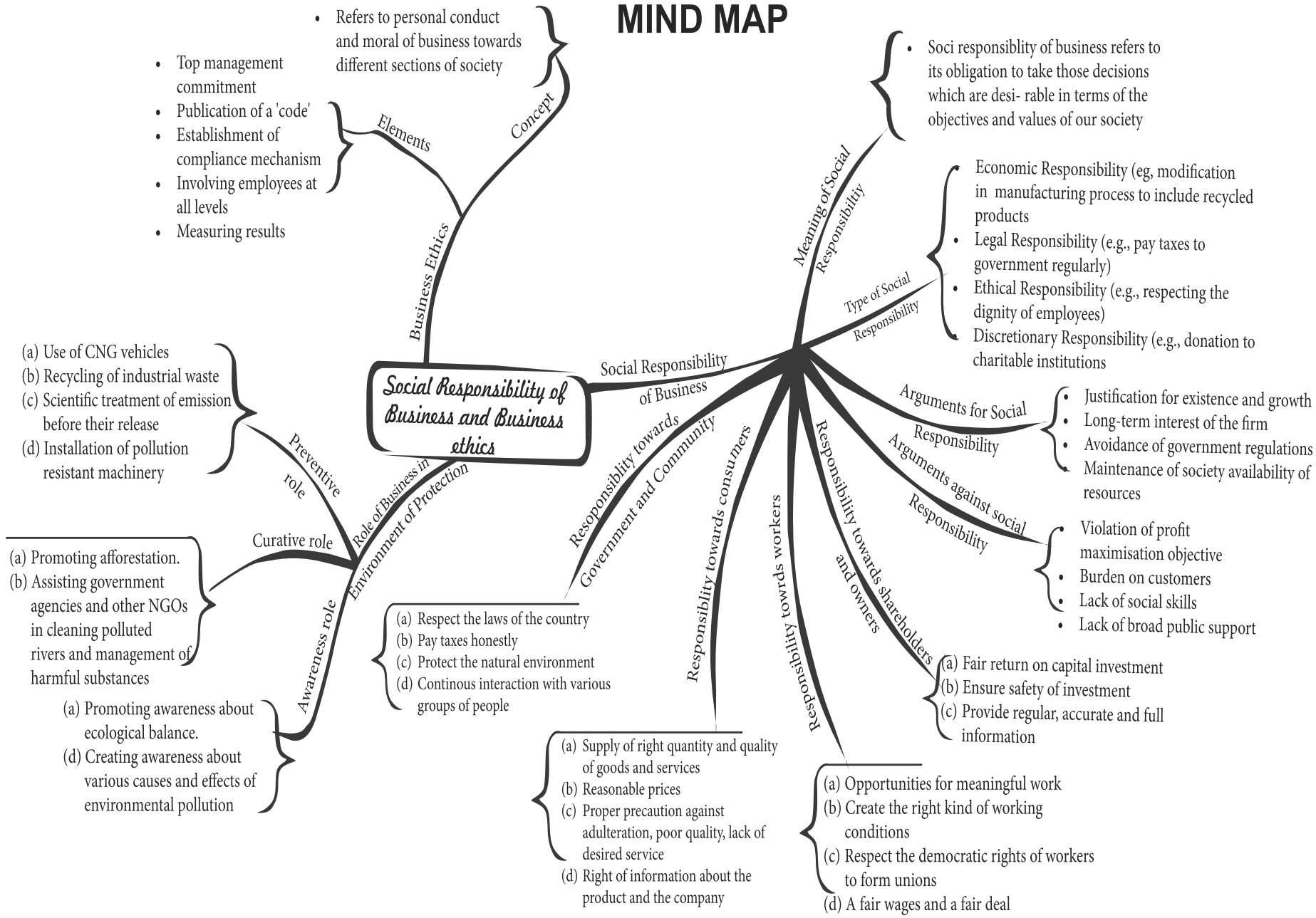
30. A Vehicle manufacturing company has adopted the following practice.

i) Only those components will be used by the company which are environment friendly.

ii) There will be discharge of harmful wastes only after their proper treatment.

iii) Pollution level of every vehicle will be maintained as per international standards.

MIND MAP


Social Responsibility of Business and Business ethics
Business Ethics
Concept
Refers to personal conduct and moral of business towards different sections of society
Elements
Top management commitment
Publication of a 'code'
Establishment of compliance mechanism
Involving employees at all levels
Measuring results
Social Responsibility of Business
Meaning of Social Responsibility
Soci responsiblity of business refers to its obligation to take those decisions which are desi- rable in terms of the objectives and values of our society
Type of Social Responsibility
Economic Responsibility (eg, modification in manufacturing process to include recycled products
Legal Responsibility (e.g., pay taxes to government regularly)
Ethical Responsibility (e.g., respecting the dignity of employees)
Discretionary Responsibility (e.g., donation to charitable institutions
Arguments for Social Responsibility
Justification for existence and growth
Long-term interest of the firm
Avoidance of government regulations
Maintenance of society availability of resources
Arguments against social Responsibility
Violation of profit maximisation objective
Burden on customers
Lack of social skills
Lack of broad public support
Responsibility towards shareholders and owners
(a) Fair return on capital investment
(b) Ensure safety of investment
(c) Provide regular, accurate and full information
Responsibility towrds workers
(a) Opportunities for meaningful work
(b) Create the right kind of working conditions
(c) Respect the democratic rights of workers to form unions
(d) A fair wages and a fair deal
Responsiblity towards consumers
(a) Supply of right quantity and quality of goods and services
(b) Reasonable prices
(c) Proper precaution against adulteration, poor quality, lack of desired service
(d) Right of information about the product and the company
Resoponsiblity towards Government and Community
(a) Respect the laws of the country
(b) Pay taxes honestly
(c) Protect the natural environment
(d) Continous interaction with various groups of people
Role of Business in Environment of Protection
Preventive role
(a) Use of CNG vehicles
(b) Recycling of industrial waste
(c) Scientific treatment of emission before their release
(d) Installation of pollution resistant machinery
Curative role
(a) Promoting afforestation.
(b) Assisting government agencies and other NGOs in cleaning polluted rivers and management of harmful substances
Awareness role
(a) Promoting awareness about ecological balance.
(d) Creating awareness about various causes and effects of environmental pollution

CHAPTER 7

CONCEPT OF BUSINESS FINANCE

The term finance means money or fund. The requirements of funds by business to carry out its various activities is called business finance.

Finance is needed at every stage in the life of a business. A business can not function unless adequate funds are made available to it.

NEED OF BUSINESS FINANCE

1. **Fixed Capital Requirement :-** In order to start a business, funds are needed to purchase fixed assets like land and building, plant and machinery. A trading concern needs lower investment in fixed assets as compared to a manufacturing organisation since it does not require to purchase plant and machinery, etc. Similarly, a large-scale enterprise generally requires greater fixed capital than a small scale enterprise.

2. **Working Capital Requirement :-** A business unit selling goods on credit, or having a slow sales turnover, for example, would require more working capital as compared to a concern selling its goods and services on cash basis or having a speedier turnover.

3. **Diversification :-** A company needs more funds to diversify its operation to become a multi-product company e.g. ITC.

4. **Technology upgradation :-** Finance are needed to adopt modern technology. For example, use of computers in business.

5. **Growth and expansion :-** Higher growth of a business enterprise requires higher investment in fixed assets. So finance is needed for growth and expansion.

Q.1 State two factors that affect the 'Fixed capital' requirements of a company.

Q.2 Mention two types of financial needs of the business.

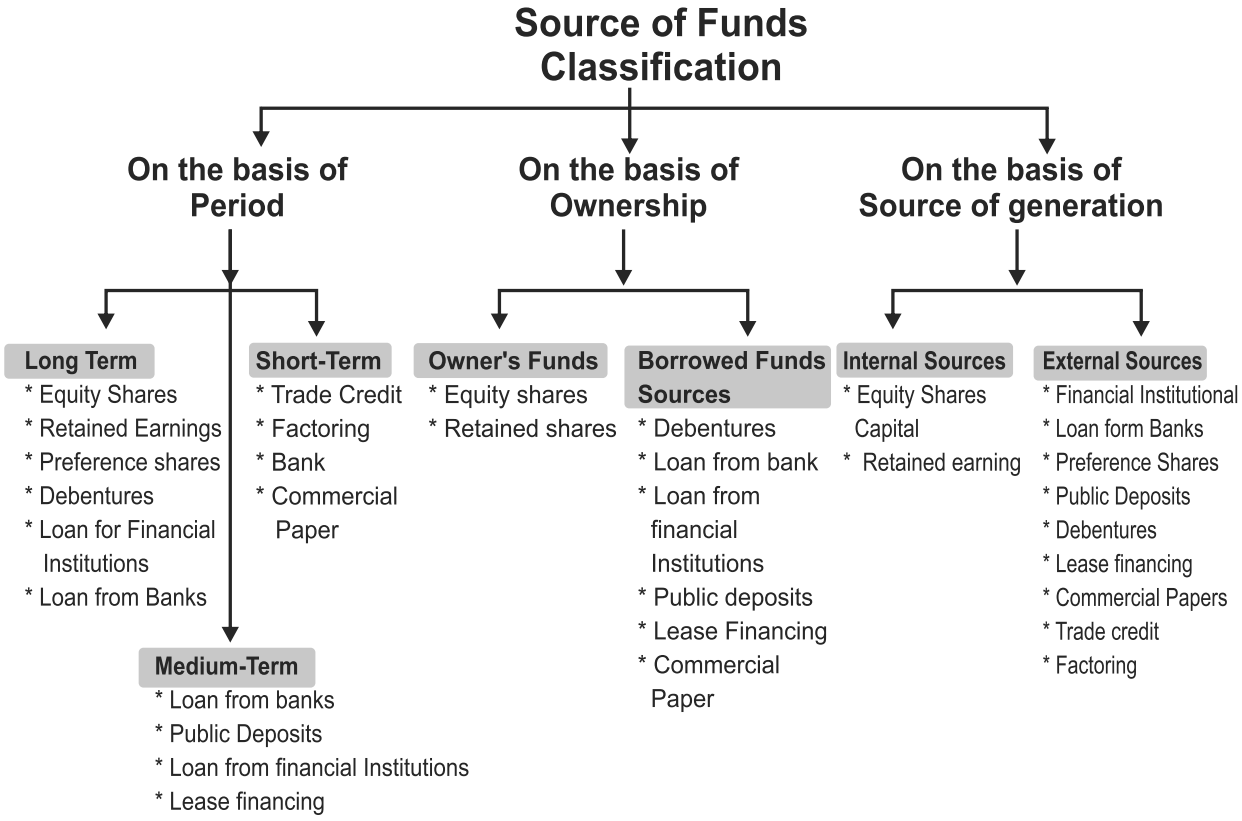
Q.3 Name the capital invested in fixed assets.

Q.4 Name the funds needed for day-to-day operations of business.

Q.5 Aarav Ltd. sells goods on credit while Ananya Ltd. sells goods on cash basis-which company will require more working capital.

Q.6 Which concern - a trading concern or a manufacturing concern will have large amount of fixed capital. Why?

CLASSIFICATION OF SOURCE OF FUNDS



METHODS OF RAISING FINANCE :-

Issue of Share :- The capital obtained by issue of shares is known as share capital. The capital of a company is divided into small units called share. If a company issues 10,000 shares of ₹10/- each then the share capital of company is ₹1,00,000. The person holding the share is known as shareholder. There are two types of share (I) Equity share (II) preference share.

(a) Equity Share :- Equity shares represent the ownership of a company. They have right to vote and right to participate in the management.

ADVANTAGES/MERITS :-

1. Permanent Capital :- Equity share capital is important source of finance for a long term.
2. No charge on assets :- For raising funds by issue of equity shares a company does not need to mortgage its assets.
3. Higher returns :- Equity share holder get higher returns in the years of high profits.
4. Control : They have right to vote and right to participate in the management.
5. No burden on company :- Payment of equity dividend is not compulsory

LIMITATIONS/DEMERITS

1. **Risk :-** Equity shareholder bear higher risk because payment of equity dividend is not compulsory.
2. **Higher Cost :-** Cost of equity shares is greater than the cost of preference share.
3. **Delays :-** Issue of Equity shares is time consuming.
4. **Issue depends on Share Market Conditions :-** Equity Shareholders are the primary risk bearer therefore the demand of equity shares is more in the boom time.

B. **Preference Share -** Preference shares are considered safer for investment. (as compared to equity shares) They receive dividend at a fixed rate. Preference shareholder are like creditors. They have no voting right.

Types of preference shares. :-

1. Cumulative preference shares.
2. Non cumulative preference shares.
3. Participating preference shares.
4. Non participating preference shares.
5. Convertible preference shares
6. Non Convertible preference shares.

MERITS OF PREFERENCE SHARES :-

1. **Investment is safe :-** Preference shareholders investment is safe. They have preferential right to claim dividend & capital.
2. **No Charge on assets :-** The company does not need to mortgage its assets for issue of preference shares.
3. **Control :-** It does not affect the control of equity share holders because they have no voting right.
4. **Fixed dividend :-** They get fixed dividend. So, they are useful for those investors who want fixed rate of return.

LIMITATIONS /DEMERITS:-

1. **Costly sources of funds :-** Rate of preference dividend is greater than rate of interest on debenture, for a company it is a costly source of funds than Debentures.
2. **No tax saving :-** Preference dividend is not deductible from profit for income tax. Therefore there is no tax saving.
3. **Not suitable for risk takers :-** Preference shares are not suitable for those who are willing to take risk for higher return.

Difference Between Equity Shares And Preference Shares

	Base	Equity Shares	Preference Shares
1.	Dividend	Dividend is paid after preference dividend.	Priority over equity share
2.	Voting Right	Full voting rights	No voting right
3.	Risk	Risk bearing securities	Less Risk
4.	Rate of Return	Fluctuates with profit	Fixed Rate of Dividend
5.	Control	Control on the management	No control on the management

Q. Madhu Ltd. is a company manufacturing garments for children. It has been consistently earning good profits for many years. This year too, it has been able to generate enough profits. There is availability of enough cash in the company. It believes in quality of product, equal employment opportunities & good remuneration. It has many share-holders who prefer to receive a fixed & regular income. Mohan is one of such shareholders.

i) Which type of shares Mohan holds?

ii) Identify two values followed by the company.

Debentures :- Debentures are the important sources of finance for raising long term finance. Debenture holders get fixed rate of interest on debentures. Interest is paid after every six months or one year or as per the terms of debentures.

Types of Debentures:-

1. Secured Debentures
2. Unsecured Debentures
3. Convertible Debentures.
4. Non Convertible Debentures
5. Redeemable Debentures.
6. Registered Debentures.

MERITS OF DEBENTURES :-

1. **Investment is Safe :-** Debentures are preferred by those investor who do not want to take risk and interested in fixed income.
2. **Control :-** Debenture holders do not have voting rights.
3. **Less Costly :-** Debentures are less costly as compared to cost of preference shares.
4. **Tax Saving :-** Interest on Debentures is a tax deductible expense. Therefore, there is a tax saving.

LIMITATION OF DEBENTURES :-

1. **Fixed Obligation :-** There is a greater risk when there is no earning because interest on debentures has to be paid even if the company suffers losses.
2. **Charge on assets :-** The company has to mortgage its assets to issue secured Debentures.
3. **Reduction in Credibility :-** With the new issue of debentures, the company's capability to further borrow funds reduces.

DIFFERENCE BETWEEN SHARES AND DEBENTURES

	Base	Shares	Debentures
1.	Nature	Shares are the capital	Debentures are a loan
2.	Return	Dividend	Interest
3.	Voting Right	Full voting right	No Voting right
4.	Holder	Owner is called share holder	Called creditors
5.	Types	There are two types of shares	More than two types
6.	Security	Not secured by any charge	Secured and generally carry a charge on the assets of the Company.

Q1. Tax benefit is available only in case of payment of interest of debentures and not on payment of dividends of shares. Why ?

Q2. State one reason why a company earning high profits may choose debentures over equity shares to raise funds.

RETAINED EARNING :-

A portion of company's net profit after tax and dividend, Which is not distributed but are retained for reinvestment purpose, is called retained earning. This is also called sources of self-financing or internal financing or ploughing back of profits.

For example :- X Ltd. has total capital of ₹50,00,000 which consists of 10% Debt of ₹20,00,000, 8% preference share capital ₹10,00,000, and equity share capital ₹20,00,000. Tax rate is 40%, company's return on total capital is 20%. It was decided to provide 10% dividend on equity shares.

Particulars	Rs.
Net profit before interest and tax (PBIT) (20% of ₹ 50,00,000)	10,00,000
Less: Interest on debentures (10% of 20,00,000)	2,00,000
Net profit before Tax (PBT)	8,00,000
Less : Tax provision @ 40%	3,20,000
Net profit after Tax (PAT)	4,80,000
Less: preference dividend (8% of 10,00,000)	80,000
Net profit after tax and pre dividend	4,00,000
Less : equity dividend	2,00,000
RETAINED EARNINGS	2,00,000

MERITS

1. **Permanent Source of funds :-** Retained earnings is a permanent source of funds available to an organisation.
2. **No costs :-** No costs in the form of interest, dividend, advertisement and prospectus, to be incurred by the company to get it.
3. **No charges on assets :-** The company does not have to mortgage its assets.
4. **Growth and expansion :-** Growth and expansion of business is possible by reinvesting the retained profits
5. **Goodwill :-** The market price of the company's share will increase.
6. **Greater degree of operational freedom and flexibility :-** As the funds are generated internally, there is a greater degree of operational freedom and flexibility, no interference from outsiders or dilution of control.

DEMERITS

1. **Sub-optimal use of funds :-** The opportunity cost of retained earnings is ignored, as a result there is a possibility of funds not being used optimally.
2. **Uncertain Source :-** It is uncertain source of fund because it is available only when profits are high.
3. **Dissatisfaction among shareholder :-** Retained profits cause dissatisfaction among the shareholders because they get low dividend.

Q1. Abhimanyu Ltd. is manufacturing cotton shirts for men. It is planning to expand its business by opening one more unit in another city. It is consistently earning good profits so there are sufficient reserves. State the most appropriate source of finance for the company. Also explain 2 merits and 2 demerits of such source of finance.

Q2. Name the part of owner's fund which is contributed by profits but not distributed among partners.

PUBLIC DEPOSITS :-

The deposits that are raised by company directly from the public are known as public deposits. The rate of interest offered on public deposits are higher than the rate of interest on bank deposits. This is regulated by the RBI (Reserve Bank of India) and can not exceed 25% of share capital and reserves. The maximum deposit period allowed for public deposit is 36 months and the minimum period is 6 months.

MERITS:-

1. **No charge on assets :-** The company does not have to mortgage its assets.
2. **Tax Saving :-** Interest paid on public deposits is tax deductible hence there is tax saving.
3. **Simple procedure :-** The procedure for obtaining public deposits is simpler than share and debenture issue.
4. **Control :-** The depositors do not have voting right therefore the control of the company is not diluted.

LIMITATIONS :-

1. **For Short Term Finance :-** The maturity period is short. The company can not depend on them for long term.
2. **Limited Fund :-** The quantum of public deposit is limited because of legal restrictions (maximum 25% of share capital and free reserves).
3. **Not Suitable for New Company :-** New company generally find difficulty to raise funds through public deposits.
4. **Unreliable source of Finance :-** The public may not respond when the company needs money.

Q1. In India, What is the maximum maturity periods of public deposits?

Q2. 'Raising funds through public deposits frequently by a company lowers its image in the public. How ?

Q3. In case of a company raising funds in a particular form, it is required to follow the provision set by RBI (Reserve Bank of India). Name the form of Fund.

TRADE CREDIT :-

Trade Credit is the credit extended by one trader to another for the purchase of goods and service. Trade Credit facilities the purchase of supplies without immediate payment.

Merits

1. **Convenient :-** It is a convenient and continuos source of funds.
2. **Purchase without immediate payment :-** Trade credit facilitates the purchase of goods and service without immediate payment.
3. **Readily Available :-** Trade Credit may be readily available in case the credit worthiness of the customers is known to the seller.
4. **Does not create any charge on assets of the firm :-** It does not create any charge on the assets of the firm while providing funds.

Demerits

1. **More Risk :-** Availability of easy and flexible trade credit facilities may induce a firm to indulge in over trading which may add to the risks of the firm.
2. **Limited Funds :-** Only limited amount of funds can be generated through trade credit.
3. **Costly Source :-** It is generally a costly source of funds as compared to most other sources of raising money.

Q1. State the most important factor that helps in receiving trade credit.

Q2. Name the source of finance which is available in the normal course of purchase of goods.

COMMERCIAL BANKS:-

Commercial Banks give loan and advances to business in the form of cash credit, overdraft loans and discounting of Bill. Rate of interest on loan is fixed.

Merits

1. **Timely financial assistance :-** Commercial Bank provide timely financial assistance to business.
2. **Secrecy :-** Secrecy is maintained about loan taken from a Commercial Banks.

3. **Easier source of funds :-** This is the easier source of funds as there in no need to issue prospectus for raising funds.

4. **Flexible source of finance :-** The loan amount can be increased according to business needs and can be repaid in advance when funds are not needed.

Limitations / Demerits

1. **Short or Medium term finance :-** Funds are not available for a long time.
2. **Charge on assets :-** Required source security of assets before a loan is sanctioned

FINANCIAL INSTITUTION :-

The state and central government have established many financial institutions to provide finance to companies. They are called development Bank. These are IFCI, ICICI, IDBI, LIC and UTI. etc.

Merits

1. **Long term Finance :-** Financial Institution provide long term finance which is not provided by Commercial Bank.

2. **Managerial Advice :-** They provide financial, managerial and technical advice to business firm.

3. **Easy installments :-** Loan can be repayed in easy installments. It does not prove to be much of a burden on business.

4. **Availability during periods of depression :-** The funds are made available even during periods of depression, when other sources of finance are not available.

Limitations / Demerits

1. **More time Consuming :-** The procedure for granting loan is more time consuming due to rigid criteria and many formalities.

2. **Restrictions :-** Financial Institution place restrictions on the borrowing company's board of Directors.

INTER-CORPORATE DEPOSITS (ICDs)

Inter-Corporate Deposits are unsecured short term deposits made by one company with another company. These deposits are essentially brokered deposits, which led the involvement of brokers. The rate of interest on their deposits is higher than that of banks and other markets. The biggest advantage of ICDs is that the transaction is free from legal hassles

Type of ICDs

1. **Three Months Deposits :-** These deposits are most popular type of ICDs. These deposits are generally considered by borrowers to solve problems of short term capital inadequacy. The annual rate of interest for these deposits is around 12%.
2. **Six months Deposits :-** It is usually made with first class borrowers. The annual rate of interest for these deposits is around 15%
3. **Call deposits :-** This deposit can be withdrawn by the lender on one day's notice. The annual rate of interest on call deposits is around 10%.

Features of ICDs

1. These transactions takes place between two companies.
2. There are short term deposits.
3. These are unsecured deposits.
4. These transactions are generally completed through brokers.
5. These deposits have no organized market.
6. These deposits have no legal formalities.
7. These are risky deposits from the point of view of lenders.

POINTS TO BE REMEMBER

1. Equity shares are the major source of business finance.
2. Debenture, bond and loans are capital having fixed cost.
3. Dividend will be given to preference shareholder at fixed rate of dividend
4. Preference shareholder have no right to participate in management.

5. Trade credit refers to that facility which is extended by one businessman to another.

6. Debenture holders receive interest at a fixed rate of interest.

7. ICD is Inter Corporate Deposits are unsecured loans given by a company to another.

Multiple Choice Questions (1-10)

1. Who is the owner of the company?
   (a) Equity share holder
   (b) Preference share holder
   (c) Debenture holder
   (d) Director

2. ICDs are issued by —
   (a) Bank
   (b) RBI
   (c) One company to another company
   (d) SIDBI

3. Payment of dividend to the equity shareholders is —
   (a) Compulsory (b) Not compulsory
   (c) Mandatory by law (d) Fixed

4. Which of the following is fixed capital?
   (a) Equity share (b) Debenture
   (c) Public deposit (d) Retained earning

5. Which of these is included in Owner's Fund —
   (a) Debenture (b) Loan from SBI
   (c) Equity share (d) Trade credit

6. Trade credit is example of —
   (a) Long-term finance (b) Medium-term finance
   (c) Short-term finance (d) All of the above

7. For which of the following is fixed capital required ?

(a) Purchasing current assets

(b) Meeting current expenses like salaries, wages etc.

(c) Purchasing land and buildings.

(d) Buying stock of materials.

8. Overdraft facility is provided by —

(a) RBI (b) Commercial banks

(c) Stock company (d) Statutory corporation

9. Which share have preferential right in the payment of annual dividend?

(a) Equity share (b) Preference share

(c) Right share (d) All of the above

10. Which is internal source of Business Finance?

(a) Loans from commercial banks (b) Debenture

(c) Retained earning (d) Equity shares

Answer the following in one or two words (1-6)

1. Debentures bear a _____ rate of interest.

2. State an advantages of ICDs.

3. Name the source of business finance in which company directly accept deposit from public.

4. Which problem of companies can be solved by 3 months inter-coporate deposits ?

5. Name any two institutions which provide short-term business finance.

6. Who has the right of voting in Annual General Meeting of company?

1 MARK QUESTIONS (1-10)

1. What type of share capital is also called "Risk Capital" ?

2. Name the return given to debenture holders for using their funds?

3. Name the one unique feature of "Retained Earnings" which is not available in any another source of finance ?

4. Write any one advantage of preference share capital.

5. Which term is concerned with the acquisition and conservation of capital funds in meeting the financial needs of a business enterprise ?

6. Name the organization which have been set up by the central as well as State governments to provide medium term and long term loans to business sector.

7. Write any one similarity between Equity share capital and Preference share capital.

8. State one disadvantage of using retained earnings.

9. Preference Share Capital is not suitable for which type of investors ?—

10. Name the debt instrument on which investors get income tax relief in specific cases.

5-6 MARKS QUESTIONS (11-14)

11. Write any four differences between share and debentures.

12. 'As a source of finance , retained earnings are better than other sources.' Write 5 reasons to support this statement.

13. "Ojas Auto Ltd." is a very well known auto company in the industry having more of equity share capital than long term debt in its capital structure. It is willing to expand and establish new unit in the backward region and want to train the tribal women in skill Development to empower them. It has a huge amount of cash reserve of ₹1000 crores.

    (a) what is the status of capital structure of the above company.

    (b) According to you, which source of finance should be used by the company in establishing new units ? Give any two reasons in support of your answer.

    [**Hints** - Sound Capital Structure, Retained Earnings - Optimum Utilization of resources and no dilution of control, Balanced Regional Development]

14. Radha was explaining the concept of "it is the acknowledgment that the company has borrowed a certain amount of money, which it promises to repay at a future date."

Identify the source of fund and explain any 2 merits and 2 demerits of this source.

High Order Thinking Questions (HOTS)

1. Mohit Ltd. wants to expand its production capacity by modernizing its plant and machinery. This will cost ₹ 4 crores approximately. The company does not have enough reserves to support expansion plans. Suggest any two sources of finance for the company.
2. As a source of finance, is retained earning a better option than other source? Give one reason to support your answer.
3. Due to festive season, Crescent Ltd. decided to expand the business activities by increasing stock of an estimated cost of ₹30 lakh. As the finance manager of the company, advise the directors about the 3 sources of finance for this purpose.
4. Rohan has ₹1 lakh for investment. Suggest types of securities he should opt. for.
5. Now-a-days, more and more companies are issuing debentures for raising long term debt capital. Give four reason why is it becoming popular.
6. You are finance manager of 'Satya Ltd.'. You have suggested the directors to opt. for long term loan from a financial institution to raise finance needed for company's expansion. Explain reason to support your answer.
7. Mr. Arun has retired from his Govt. Job. He wants a part of his savings to invest in some company. He wants a fixed and regular income without any risks.
   i) Name the type of shares in which he should invest.
   ii) State 2 merits and 2 demerits of the type of shares suggested above.

8. These type of shares enjoy preferred rights in dividends. Identify the type of shares. Also explain 2 merits and 2 demerits.

9. These type of shares do not enjoy any preferred rights but they are real masters of the company. Identify the type of shares. Also explain 2 merits and 2 demerits of the same.

10. 'Rudra Limited' is a successful company dealing in shoe making. Though it has enough reserves yet the directors of the company opted for debentures as a source of finance. Is the decision wise? In your opinion which source the company should opt. for. Give reasons to support your answer.

11. Mr. Manav Sharma is the finance manager of 'Setu Limited' company needs ₹50 crores. To arrange the capital needed Mr. Sharma has two option. Issue of equity shares or debentures. After consideration of all facts, he decided in favour of issuing debentures. He presented his decision before the CEO who asked why he had opted for debentures Mr. Sharma replied that debentures are fixed charge funds and do not participate in profits of the company.

    State more facts that Mr. Sharma must have presented before the CEO about the debentures and equity shares.

12. "Mahindra and Manhindra" was the first company in India to issue convertible debentures in 1990. Now many more companies have the approval to issue convertible debentures to raise long term debt capital. State and explain the reason of issuing such debentures.

13. Zen Ltd. is planning to organize a country wide 'Sale of its products during festival season. The co. has to build stock of its inventories to be able to meet the increased demand.

    a) Name the type of capital co. must have to meet production demands. (Working capital)

    b) Advise the sources that the co. may consider to raise required funds. (Trade Cr. , Cash Cr. (O/D).

14. Aryan is running a Travel Agency. The nature of business does not require too many fixed assets. However, he is planning to open another office in Dubai and to meet the financial needs he

has applied for a long term loan from a bank. Do you think he will be able to get long term loan from bank ? Give reason.

15. Tania received ₹1,00,000 from her parents as a gift. She is planning to invest entire amount but wants her money to be safe and secure. Advise her about various options where she can invest her money.

16. The Directors of Asia Ltd. are planning to improve its productivity by replacing their plant and machinery by installing new plant and machinery with latest technology at a cost of $5 crores. They can raise funds through issue of shares but are not confident of raising all the money from shares. Suggest the ways of raising finance for the company.

17. Tara Ltd. decided to raise funds through issue of equity shares as the board of Directors know that a company has to pay dividend to equity shareholders only when it earns profits. Board of Directors decided that they record losses for the first 3 years so that they don't have to pay any dividend to the shareholders.

    (a) Is the board of Directors right in thinking ?

18. Mr. Pardeep owns a business of toys. At present he sells his product in North and West India, but now planning to sell his products in South India also. For this, he applied to the bank for enhancement of his overdraft limit from 50 Lakhs to 75 Lakhs. Bank manager suggested him to take 'Term Loan" of ₹ 25 Lakh instead of increasing overdraft limit. Do you think he should consider Term Loan instead of overdraft limit ? Give reasons.

19. Vikas traders Ltd. deals in the wholesale business of pulses. The finance manager arranges unsecured short-term finance for the company. The rate of interest to be paid on this finance is more than the bank's rate of interest.

    a) Identify the source of finance in above situation

    b) Explain the features of the source of finance identified in part (a) above.

Worksheet for Competency Based Questions

Q.1 Read the following statements carefully - Assertion (A) and Reason (R) and choose the correct alternative.

Assertion (A): Equity share capital serves as permanent capital.
Reason (R): It is to be repaid only at the expiry of a long period of time.

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A)

(c) Assertion (A) is true but Reason (R) is false.

(d) Assertion (A) is false but Reason (R) is true.

Q.2 Read the following statement carefully and choose the correct alternative.

Statement 1-A trading concern may require larger amount of fixed capital as compared to manufacturing concern

Statement 2:- The need for fixed capital Investment would be greater for a large enterprise as compared to that of a small enterprise.

(a) Both the statements are true.

(b) Both the statements are false.

(c) Statement 1 is true but statement 2 is false

(d) statement 1 is false, Statement 2 is true.

Q.3 Match the columns and choose the correct alternative.

Column I	Column II
A. Retained earnings	(I) It facilitates the purchase of supplies without Immediate payment.
B. Trade Credit	(ii) It is a source of internal financing.
C. Inter-Corporate Deposits.	(iii) These are unsecured short-term deposits made by a company with another company.
D. Public Deposits	(iv) Their acceptance is regulated by RBI

(a) A-iii, B-ii, C-i, D-iv (b) A-ii, B-i, C-iii, D-iv

(c) A-ii, B-i, C-iv, D-iii (d) A-iv, B-ii, C-iii, D-I

Q.4 Arrange the following sources of funds in ascending order according to the time period for which they are available

(i) Equity shares (ii) Debentures

(iii) Trade Credit (iv) Call Deposits

(a) i, ii, iii, iv (b) i, iii, iv, ii

(c) i, ii, iv, iii (d) iii, iv, I, ii

Q5. This source of fund is used for short-term cash management these of a large corporate. These deposits are unsecured and transactions are generally completed through brokers. These deposits have no legal formalities. Identify this source of business finance.

(a) Trade Credit (b) Inter-Corporate Deposits

(c) Equity shares (d) Debentures.

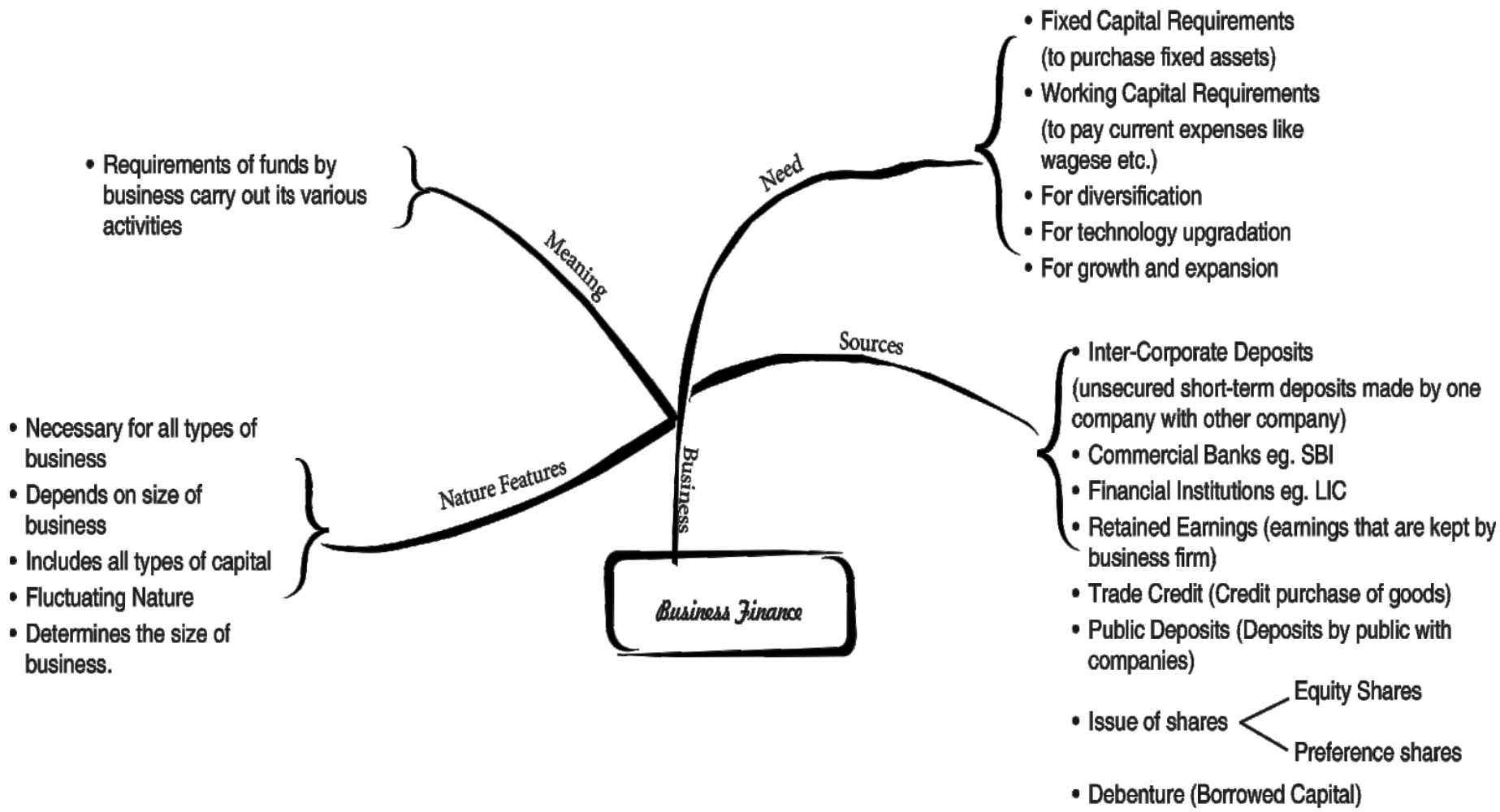
Q6. Shyam Ltd owns an agency of different cosmetic products purchases almost all products on cash basis and sells on credit of 1 month! It faced the shortage of short-term finance and held a meeting for finding the solution of this problem.

Ram, a manager suggested that the company should buy goods on credit. Mohan, an, assistant manager suggested that the company often needs cash credit and overdraft and so the source of finance should be selected keeping that in mind. Identify the source of finance suggested by. Mohan.

(a) Trade Credit (b) Loan from Commercial Banks.

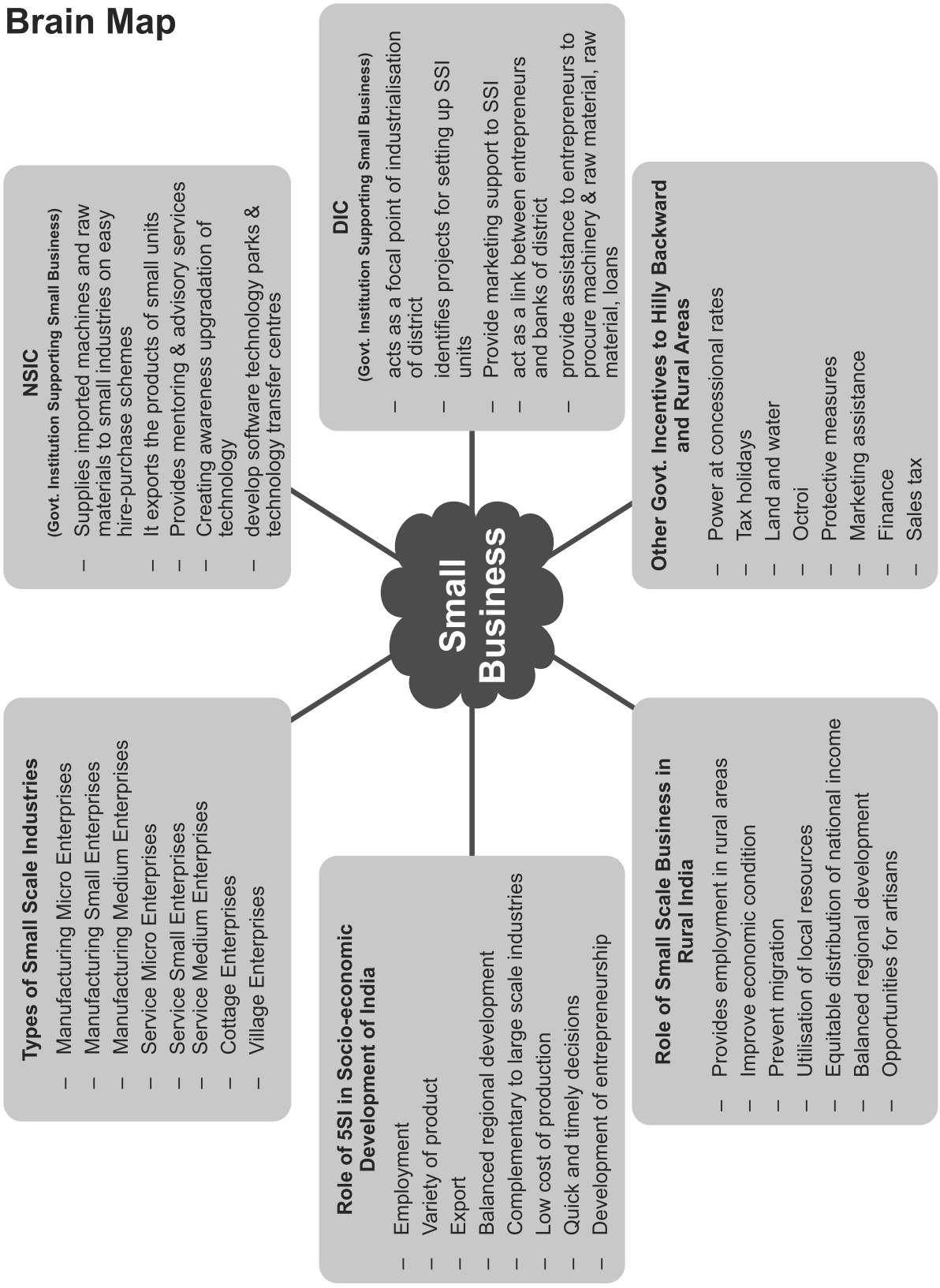
(c) Inter-Corporate Deposits (d) Shares.

MIND MAP


Business Finance
Meaning
• Requirements of funds by business carry out its various activities
Nature Features
• Necessary for all types of business
• Depends on size of business
• Includes all types of capital
• Fluctuating Nature
• Determines the size of business.
Need
• Fixed Capital Requirements (to purchase fixed assets)
• Working Capital Requirements (to pay current expenses like wagese etc.)
• For diversification
• For technology upgradation
• For growth and expansion
Sources
• Inter-Corporate Deposits (unsecured short-term deposits made by one company with other company)
• Commercial Banks eg. SBI
• Financial Institutions eg. LIC
• Retained Earnings (earnings that are kept by business firm)
• Trade Credit (Credit purchase of goods)
• Public Deposits (Deposits by public with companies)
• Issue of shares
Equity Shares
Preference shares
• Debenture (Borrowed Capital)

CHAPTER 8
SMALL BUSINESS AND ENTERPRISES

Brain Map



Entrepreneurship

Characteristics of Entrepreneurship Development ⟹ MNEMONIC : SOIL R

- Systematic Activity (S)
- Organisation of Production (O)
- Innovation (I)
- Law and Purposeful Activity (L)
- Risk taking (R)

Need for Entrepreneurship

- Contribution to GDP
- Capital formation
- Generation of employment
- Generation of business opportunities for others
- Improvement in economic efficiency
- Increasing scope of economic activities
- Impact on local communities
- Fostering the spirit of exploration, experimentation & daring

Schemes & ways to fund startup by Govt. of India

- No inspection
- Income tax exemption
- Capital gain tax exemption
- Benefit in patent & intellectual property
- Funding schemes for startup

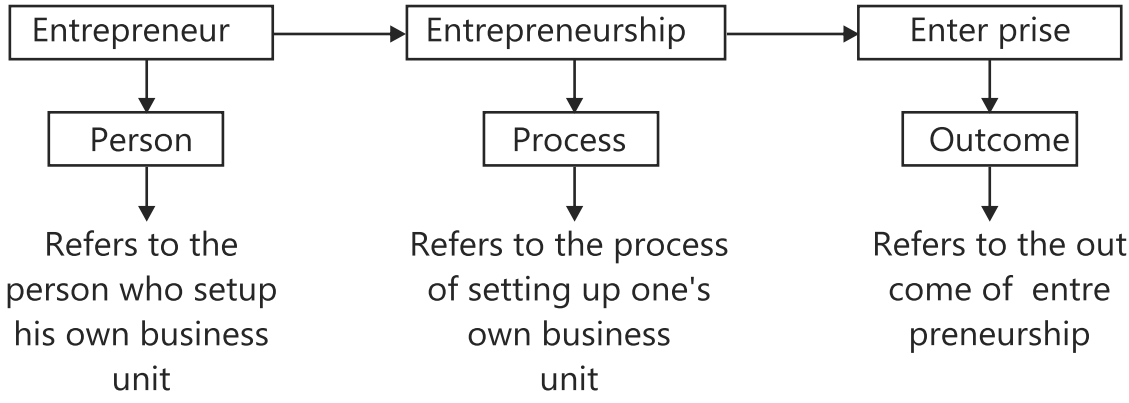
Funding options to raise capital

- Government offers
- Self funding/boot straping
- Crowd funding
- Angel investment
- Venture capital
- Funding from incubaters accelerators
- Winning contest funds
- Bank loans
- Non-banking financial companies
- Quick money

IPR Types

- Copyright
- Trademarks
- Geographic indications
- Patents
- Design
- Plant variety
- Semi-conductors integrated circuits layout design

Entrepreneurship Development (ED):



Meaning: Entrepreneurship is a systematic, purposeful and creative activity performed by an entrepreneur to translate business idea into desired monetary results.

(1) **Systematic Activity :** It is not a spontaneous activity. One needs special knowledge to complete this activity in a disciplined manner.

(2) **Lawful and purposeful activity:** It is related to the establishment of a lawful and purposeful business. It aims at providing value (goods & services) to the buyers, consideration to the investors and profit to the entrepreneur.

(3) **Innovation:** Under it, new combinations of different modes of production are created like new technique, new products, new raw material & new marketing methods.

(4) **Organisation of Production:** Under this, new methods of production are adopted.

(5) **Risk-Taking:** It is surrounded by risk on every side. Hence risk can't be separated from entrepreneurship.

Need for Entrepreneurship: The need for entrepreneurship is indicated from the following facts —

(1) **Initiating the process of development :-** The establishment of more and more business reflects the development of a country.

(2) **Sustaining the development :-** Rate of development is sustained (maintained) with the help of entrepreneurship.

(3) **Providing employment opportunity :-** Entrepreneurship not only provides the scope for self-employment but also offers employment to large number of people.

(4) Social benefits:- By making optimum utilisation of resources, they save scare resources of society.

Process of Entrepreneurship Development: Start-up India Scheme: Start-up India is an action plan to develop an eco-system to promote and nurture entrepreneurship across the country.

Meaning/Definition of Start-up: Start-up is a business enterprise is the form of private ltd. Company, partnership, limited liability partnership or sole proprietor, registered in India, which was started less than five years ago and have annual turnover of less than 25 crore.

STARTUP INDIA

The startup India scheme is a flagship initiative of the Government of India with an objective to carve a strong ecosystem for nurturing innovation and startups in the country.

The scheme specifically aims to:

1. Develop entrepreneurial culture and inculcate entrepreneurial values in the society at large
2. Create awareness about how to be an entrepreneur and its advantages as a source for earning a living.
3. Encourage more dynamic startups by motivating educated youth into entrepreneurship
4. Support early phase of entrepreneurship development
5. Involve under represented groups like women, SC and ST etc. to achieve inclusive & sustainable development

   As per the notification dated February 17, 2017 issued by Ministry of Commerce and Industry, a startup means

   - an entity incorporated or registered in India
   - not older than 5 years
   - Annual turnover does not exceed ₹25 crore in any preceding year.
   - Working towards innovation, development or commercial-isation of product/service/process driven by technology/IPR and patents

Startup India: Action Points

1. **Simplification and hand holding:-** making compliance for startups simple & flexible
2. **Legal support and fast track patent examination:-** so that first mover advantage can be undertaken easily.
3. **Easy exit:-** In case of business failure, the exit process has been made easy so that capital & other resources can be relocated to other productive areas.
4. **Harnessing private sector for incubator setup:-** To ensure professional management of government funded incubators, PPP mode is being planned.
5. **Tax exemptions:-** The profits of startup initiatives are exempted for income tax for a period of three years.

Any enterprise formed by splitting up or reconstruction of a business already in existence shall not be considered as start-up.

Various schemes and ways to fund start-up by Government of India:- There are about 67 schemes launched by Govt. of India for giving wings to youth entrepreneurs.

Common Schemes offered by government are :

1. **No inspection :** No inspection would be carried out at start ups for 3 years.
2. **Registration:** Start up get registered with in 1-2 day through mobile app.
3. **Income Tax Exemption:** Income Tax exemption is available for first three years only after obtaining a certificate from inter-ministerial board.
4. **Capital gain Tax exemption:** The start-up can claim capital gain tax exemption for first three year.
5. **Benefit in patent and Intellectual property :** For patent cost, start-up can claim an 80% rebate.
6. **Funding Schemes for start-up:** Govt. has announced ₹10,000 crore fund for new startups and ₹500 crore for credit guarantee scheme.

Lists of 10 funding options for startups to help raise capital/ways to fund start up:

1. **Self-Funding:-** To start business, self-funding is first option. It is also known as boot strapping. It is a good option of funding only if the initial requirement is small and handy.
2. **Crowd Funding:-** In this method, fund is gradually collected from a large number of people through the medium of internet by giving detailed information of the startup.
3. **Angel Investment :-** In this method, the rich people with surplus cash and having interest in development of start up get ready to invest in the business.
4. **Venture Capital:-** Under this method, funds are professionally managed in companies that have huge potential.
5. **Funding from Incubators and Accelerators:-** Incubators is the financial assistance provided at the starting stage by financial institutions and funding for developing the organisation and funding for developing the organisation after startup is known as accelerator.

   Incubators — Walk

   Accelerators — Run
6. **Winning Contests Fund:-** Under this method, fund is collected by presenting the best startup plans and winning the contest.
7. **Bank Loan:-** Under this method funds can be raised from the banks like Bank of Baroda, HDFC, ICICI Bank.
8. **Non-Banking Financial Companies (NBFCs):-** The startups who can't fulfil the conditions of commercial Banks can easily get the financial help from NBFCs.
9. **Government Offer:-** To give financial help to the startups, the government has arranged ₹10,000 crores in the union Budget.
10. **Quick Money:-** Under this method of startup fund, the arrangement of Fund in made is following manner.
    (a) Getting payment prior to the sale of product.
    (b) Sale of properties.
    (c) Use of credit card.

Like 'APPLE' and 'SAMSUNG' companies generally get the payment from their customers prior to the supply of goods.

Intellectual property Rights (IPR) and Entrepreneurship

Intellectual property:- It refers to the intellectual creativity of a person. It is the legally recognised exclusive rights given to the creator of their creations like invention, art work, musical, literary, symbols, names, designs, images, discoveries etc.

(a) Industrial property which includes inventions (patents), trademarks, industrial designs and geographic indications.

(b) Copyright, which include literary and artistic works.

> IPR refers to the special rights given to the creator for a definite period for the use of his creative work.

IPR is an asset for innovative entrepreneurship in the following way:-

(1) Innovative potential has market value.

(2) Upcoming entrepreneur can make their name and place in the market with IPR.

(3) Research shows that more than 25% patent are taken by new and upcoming entrepreneurs.

(4) IPR give the entrepreneur property right as intangible assets.

(5) IPR give an edge over your competitor and help you to become leader in your field.

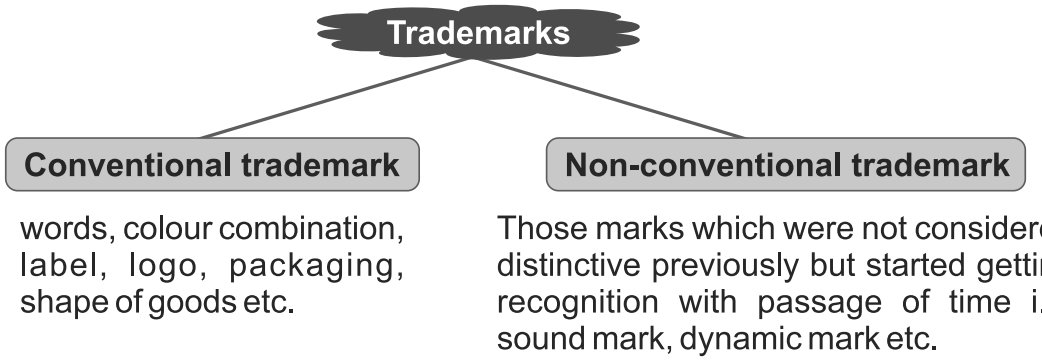
Importance of IPR for Entrepreneurs

- It encourages creation of new, path breaking inventions. Eg. cancer cure medicines
- It provides an incentive to inventors, authors etc. for their work
- It allows work created by a person to be distributed & communicated to the public only with his/her permission
- Creators, developers get recognition for their work
- India, being a signatory to the agreement on TRIPS, several legislators were passed for the protection of intellectual property rights to meet the international obligations.

Types of Intellectual Property

1. Copy right – Right conferred upon creators literary, artistic, musical, sound recording and cinematographic film

2. **Trademark** – It is any word, name or symbol (or their combination) that lets us identify the goods made by individual companies



3. **Geographical Indication** – It is primarily an indication which identifies agricultural, natural, manufactured products (handicrafts, industrial goods and food stuffs) originating from a definite geographical territory.

   Eg. Naga Mircha, Mizo Chilli, Warli Paintings, Darjeeling Tea

4. **Patent** – It protects the scientific inventions (products and/or process) which shows technical advancement over the already known products

   – It provides on exclusive right to exclude' all others and prevent them from making, using, offering for sale, selling or importing the invention.

   For an invention to be patent table :-

   – It should be new

   – It must be non-obvious to any person who is skilled in relevant field of technology

   – It must be capable of industrial application

5. **Design** – It includes shape, pattern, arrangement of lines or colour combination that is applied to any article.

   – It is valid for 10 years and can be renewed for further 5 years after expiry of the term

6. **Plant variety** – It is grouping plants into categories based on their botanical characteristics e.g. variety of potatoes.

7. **Semi-conductors Integrated Circuits Layout Design**
   - A semi-conductor is an integral part of every computer chip. Its design is to perform electronic circuitry function.

8. **Trade Secrets**
   - Basically any confidential information which provides a competitive edge.

     For example, Recipe of Coca-Cola.
   - Trade secrets in India are protected under the Indian Contract Act, 1872.

9. **Traditional Knowledge**
   - Knowledge, systems, innovations and practices of local communities across the globe.

     For example, Ayurveda, Yoga, Unani, Siddha.
   - A Traditional Knowledge Digital Library (TKDL) has been developed by Government of India which helps to prevent wrongful patenting of traditional knowledge.

Intellectual Property by Rights and Business

Any business has to continuously innovate and think ahead otherwise it will stagnate and finally close down.

So IPR helps the business to stay ahead of the rest.

Enterprise Vs Entrepreneurship:

Enterprise is a business organisation / start-up which provides goods/ service, creates employment and contributes to national income. it is the fourth factor of production along with land, labour and capital.

Entrepreneurship is the set of all activities performed by an entrepreneur to translate a business idea into desired monetary results.

Question-Answers

1. What is entrepreneurship and why it is needed?
2. Define start-up. Explain various schemes offered by government of India for start-up.
3. Explain Intellectual property right and what it includes. Explain them.
4. Discuss the various ways to fund a start-up.

Small Business

A business which operates on a small scale and required less capital. less labour and less machines is called small business. The goods are produces on a small scale. This business is operated and managed by the owner of the business. In India, the village and small Industries sector consists of both traditional Handlooms. Handicrafts, Khadi and Village Industries. Modern small Industries - Small scale industries and Powerlooms.

According to MSMED Act, 2006, a small scale enterprise defined as one where the investment in Plant and Machinery is more than ₹25 lacs but does not exceed ₹5 crore.

Several parameters can be used to measure the size of business. These include the number of persons employed in business, Capital invested in business, Volume of output of business and power consumed for business activities. The definition used by the Government of India to describe small Industries is based on the investment in plant and machinery. It can be divided as follows :-

Type of Industries	Investment Unit
Manufacturing micro enterprises	Investment in plant & machinery does not exceed ₹ 25 lakh
Manufacturing small enterprise	Investment in P&M is more than ₹ 25 lakh but doesnot exceed ₹ 5 crore
Manufacturing medium enterprise	Investment in P&M is more than ₹ 5 crore but does not exceed 10 crore
Service micro enterprise	Investment in equipment does not exceed ₹ 10 lakh
service small enterprise	Investment in equipment is more than ₹ 10 lakh but does not exceed ₹ 2 crore
Service medium enterprise	Investment in equipment is more than ₹ 2 crore but does not exceed ₹ 5 crore
Village industries	Fixed capital investment per head or artisan or worker is specified by central government from time to time. It is located in rural area which produces any good/service with or without the use of power.

Cottage / Rural / Traditional Industries are not defined by capital investment criteria as in case of other small scale industries. A new notification has come into effect from 01.07.2020 for classification of micro, small and medium enterprises, namely :-

(i) a micro enterprise, where the investment in plant and machinery or equipment does not exceed 1 crore and turnover does not exceed 5 crore rupees;

(ii) a small enterprise, where the investment in plant and machinery or equipment does not exceed 10 crore rupees and turnover does not exceed 50 crore rupees;

(iii) a medium enterprise where the investment in plant and machinery or equipment does not exceed 50 crore rupees and turnover does not exceed 250 crore rupees.

Features:-

- Organised by individuals with private resources
- normally use family labour and locally available talent
- The equipment used is simple and produces simple products usually in their own premises
- Capital investment is small
- Production of goods using indigenous technology

Q.1 State the distinguishing features of Ancillary small industrial unit. [50% of its production must be supplied to parent company]

Q.2 On what basis MSMED Act, 2006 measure the size of the business ? [Investment in plant and Machinery].

Q.3 Harish has invested 15 Lakh in plant and Machinery to manufacture plastic toys. According to MSMED Act, in which category does his enterprise falls into. [Micro manufacturing Enterprises]

ROLE OF SMALL SCALE INDUSTRIES (SSI) IN SOCIO-ECONOMIC DEVELOPMENT OF INDIA :-

1. **Employment :-** Small scale Industries are second largest employers of human resources after Agriculture. It has 95% of the industrial unit in the country. These enterprises are labour intensive and labour is available in abundant amount in rural areas of India.

2. **Variety of product :-** Small scale Industries produce an enormous variety of goods. Eg. ready-made garments, stationery, soaps, Leather goods Plastic and rubber goods.

3. **Export :-** The share of product from SSI is 45% of total export from India So it earn valuable foreign exchange and solve the problem of balance of payment.

4. **Balanced regional development :-** SSI can be set any where in the country. They use local resources, less capital and simple technology.

5. **Complementary to large scale Industries :-** SSI supply various types of components spare parts, tools etc. which are required by large scale enterprises.

6. **Low cost of production :-** SSI also enjoy the advantage of low cost of production because they use local resources in their product.

7. **Quick and timely decision :-** Due to the small size of the organization quick and timely decisions can be taken without consulting many people.

8. **Development of entrepreneurship :-** SSI provide opportunity to young men and women to start their own business.

ROLE OF SMALL BUSINESS IN RURAL INDIA

1. **Provides Employment in Rural Areas :-** Cottage and rural industries provide employment opportunities in the rural areas as these are labour oriented enterprises. In Indian rural areas ample labour is available.

2. **Improve Economic Condition :-** Small business provide multiple source of income to the rural households. SSI improve economic conditions and standard of living of people living in those areas.

3. **Prevent migration :-** Development of rural and village industries can also prevent migration of the rural population to urban areas in search of employment.

4. **Utilization of Local Resources :-** SSI use local resources e.g. coir. wood and other products, which otherwise remain idle or unutilized or used in very less quantity.

5. **Equitable distribution of national Income :-** Small Scale Industries and cottage Industries ensure equitable distribution of national income. This helps to reduce the gap between rich and the poor in the country and the income of the country is not just concentrated with some city industrialists.

6. **Balanced Regional development :-** These enterprises are often dependent on local source of production. This way, industries do not just limit themselves to a particular place but diversify. This helps in balanced regional development.

7. **Opportunity for Artisan :-** SSI provide opportunity to people who are having expertise in different fields but because of lack of opportunities their skills do not come into limelight.

Problem of Small Scale Industries:

1. **Finance :-** Non-availability of sufficient funds in order to carry out business operations is an important problem faced by small scale industries. Banks hesitate to grant financial help to these

units.

2. **Raw Material and Power :-** Small scale units are unable to buy raw materials in bulk due to lack of funds and storage facilities. Shortage of power is another factor which leads to underutilization of plant capacity.

3. **Marketing :-** Small scale units generally face difficulties in marketing of their products and services as they are hardly any funds for Advertising or sales promotion. They depend on intermediaries who exploit them.

4. **Technology :-** Majority of small scale enterprises are using old techniques of production because they cannot afford new techniques, machines and equipments necessary for modernizing product. As a result, their cost of production increases.

5. **Competition :-** Small scale firms face competitions not only from large industries but also from multinational companies due to liberalization, privatization and globalization.

6. **Other problems :-**
   - Lack of Managerial Efficiency due to non-availability to professionals in rural area.
   - Lack of Demand of Produced Goods.
   - Labour Problems due to lack to skilled or expert labour.
   - Burden of Local Taxes.
   - Poor Product Quality.

GOVERNMENT ASSISTANCE TO SMALL INDUSTRIES AND SMALL BUSINESS UNITS

(A). INSTITUTIONAL SUPPORT :-

1. National small Industries Corporation (NSIC)

This was set up in 1955 to promote, aid and foster the growth of small scale units in India. Main constraint faced by entrepreneurs is shortage of funds to purchase machinery and equipment. Non availability of finance, deprives many new entre-preneurs from

availing opportunities. NSIC was established to cater to this need of entrepreneur.

A new scheme of "Performance and credit rating" of small business is implemented through NSIC with twin objective.

(a) Sensitizing the small industrial about the need for credit rating.

(b) Encouraging the small business to maintain good financial record.

Main functions of NSIC

1. It supplies imported machines and raw materials to small industries on easy hire-purchase schemes.
2. It export the products of small units.
3. It provides monitoring and advisory services.
4. It serves as technology business incubator.
5. It helps in creating awareness on up gradation of technology.
6. It helps in procuring, supply and distribute indigenous and imported raw material.
7. Developing software technology parks and technology transfer centres.

II. District Industries Center (DIC)

The concept of DIC came during 1977, when govt. of India announced the new Industrial policy on 23rd Dec, 1977. The main objective of DICs is to make available all necessary services at one place. The finance for setting up DICs in a state are contributed equally by particular state Govt. and Central Govt.

Functions of District Industries Center

1. Act as the focal point of industrialization of the district
2 Identifies projects for setting up of SSI units.
3. Issues permanent registration certificate to SSI units.
4. Provides marketing support to SSI units
5. Act as a link between the entrepreneurs and the lead bank of

district.

6. Helps businessman in obtaining licence from Electricity board, water supply board etc.
7. Provides loans, work sheds and raw material to SSI units.
8. Implements government sponsored schemes for educated unemployed.
9. Provided assistance to entrepreneurs to procure machinery and raw material.

Q.1	What is the name of organization which ensures smooth credit flow to small business through syndication with banks? (NSIC)
Q. 2	Name the scheme launched by NSIC to spread awareness about credit rating ? (Performance and credit rating)

(B) Other Govt. Incentives to Hilly Backward and Rural Areas

1. **Power :-** Some states supply power at a concessional rate of 50%. While some states exempt such units from payments in initial years.
2. **Tax holidays :-** Exemption from payment of tax for 5 or 10 years is given to industries established in backward areas.
3. **Land and Water :-** Availability of land at concessional rate. Water is supplied on no profit no loss basis.
4. **Octroi :-** Most of the states have abolished octroi.
5. **Protective Measures :-** The government reserved 800 items for exclusive production by the small scale Industries and give priority in allocation of raw materials and machines
6. **Marketing Assistance :-** Government tries to solve their marketing problem by improving information and in order to provide guarantee for sale of goods.

7. **Finance :-** Subsidy of 10-15% for building capital asset. Loans are offered at concessional rates with easy instalments of loan repayment.

8. **Sales Tax :-** In all Union Territories, small industries are exempted from sales tax while some states give exemption of 5 years.

MCQ / True or False / Fill in the Blanks (1-14) (1 mark)

Q.1 Which repository has been designed by our Indian Government to safe and wrongful patenting of our traditional knowledge?

Q.2 Government of India opposed and won against a patent granted by US Patent Office in 1995 for a product for its wound healing properties, which was the product?

(a) Haldi (b) Dhaniya

(c) Antiseptic cream (d) None of these

Q.3 Lalit is a great artist. He wants that none of his paintings should be copied without his permission. What should he do to do so?

Q.4 Recipe of Coca Cola comes under which type of Intellectual Property Right?

(a) Trade secret (b) Patent

(c) Copyright (d) None of the above

Q.5 Yoga is a part of Indian traditional medicine system. If some other country wants to get it patented then can we challenge its patenting?

Q.6 Which agreement with WTO defines the role and importance of IPR?

Q.7 Copyright is the right to 'not copy'. True or False.

Q.8 Which of the following are considered for protection as trademarks in some parts of the world but all are not recognised as trademarks in India?

(a) Smell and taste (b) Logo

(c) Label (d) Colour Combination

Q.9 Patent can only be filed to get rights over an invention and not discovery. (True or False)

Q.10 For how many years does a patents allows exclusive rights to the inventor?

(a) 10 years (b) 15 years

(c) 20 years (d) 25 years

Q.11 Patent is a _____ monopoly. (Fill in the blanks)

Q.12 A design comes in public domain after a period of 5 years. (True or False)

Q.13 A micro small scale industry has investment of Rs. 24 lakhs and engaged in manufacturing business. Now, it wants to increase its investment by Rs. 4 Lakhs. what type of small Business will it become and what is the maximum investment limit in such cases?

Q.14 Which type of enterprise is owned, controlled and managed by a woman or a group of women holding share capital not less than 51% ?

APPLICATION - ORIENTED QUESTIONS (1-8)

Q.1 Preet food Industries set up food and beverages processing plant in the rural area of Haryana and opted for labour intensive technique due to easy availability of labour and to provide employment to local people. Board of director decided to invest 50 lakhs to acquire plant & machinery, Rs. 1 crore to buy land, Rs. 20 Lakhs to buy raw material and Rs. 20 lakhs to maintain day to day expenses.

(a) Name the Act of Industries which is applicable to the above industry.

(b) Which category of part (a) will the above industry came?

(c) State the investment limit in this category.

[**Hints:-** MSMED Act, 2006. Small Scale Industry, Rs. 10 crores.

Employment Generation]

Q.2 Board of Directors of "Bio Pure water Ltd." decides to set up its first unit in the hilly area of Himachal Pradesh Company requires Rs. 3 crores for it and Rs. 50 Lakhs for working capital. The company has earmarked 15% of its profit for Educational and Health needs of its employees and their family members.

(a) The above company comes under which category as per MSMED Act 2006.

(b) Write any one commercial reason for setting up of unit in the hilly region.

(c) According to you, what are the options available to the company for meeting its long term and short term needs

[**Hints :-** Small scale Industry, Cheap price of Land and Labour, Equity share Capital and Loans from Bank.

Q.3 Sushant Singh has done his B.Tech in electrical engineering. He has no business experience but wants to start a small scale manufacturing unit. He has chosen to manufacture light engineering goods which will be marketed to manufacturers and in replacement markets.

(a) Which Govt. agency should he approach for receiving suitable guidance for stating his unit ?

(b) What type of facilities will he be able to get from concerned agency.

[**Hint :** (a) DIC (b) Role of DIC]

Q. 4 The Govt. of India has launched special schemes for developing small scale industries in rural, backward and hilly areas.

Explain any 3 such schemes and mention any 2 values involved in launching there schemes.

[**Hint :** Any 3 Schemes from other incentives

Values : (a) Concern for people living in un-development areas.

(b) Creation of self-sufficiency.

Q. 5 Almost in every district of the country a District Industries

center (DIC) has been set up. Mention any four objectives of this centre.

Q. 6 One day Ravi Dubey noticed his wife cleaning the refrigerator with vinegar and water. She was struggling to remove a stain. He got an idea of making wet tissue papers with good grade concentrates to solve the problem. Do you think startup India Scheme initiated by government will help him? How? (5 marks)

[**Hint:** Yes; startup India's action points]

Q.7 Sukhvinder Singh designed an software application to monitor pulse rate, blood pressure, BMI, etc. of a user. Since this idea was new, his friend, Rajesh asks him to get an IPR for it. What use do you think will it have for Sukhvinder?

[**Hint:** Importance of IPR for Entrepreneurs]

Q.8 After completing MBA from FMS, Delhi, Raveena decided to enter into a startup business. She wants to explore the dairy product business after hearing news of adulteration being found in the milk all over Delhi. She does feasibility studies and finds there is a demand for healthy and quality products in the market. She is confused about the options available to her for her startup. Suggest any 6 ways through which she can finance it. (6 marks)

Answers

1. Traditional knowledge Digital Library
2. (a)
3. He should get a copyright of his work
4. (a)
5. Yes, as it comes under Indian Traditional Knowledge
6. TRIPS
7. True
8. (a)
9. True
10. (c)
11. Temporary
12. False

Worksheet for Competency-Based Questions (1-6)

Q.1 Read the following statements carefully and choose the correct alternative.

Statement 1:- A Traditional Knowledge Digital library, has been developed by Government of India, which is essentially, digital knowledge repository of Traditional knowledge that has existed in our ancient civilization.

Statement 2 :- Trade Secrets in India are protected under the Indian Companies Act, 2013.

(a) Both the statements are true.

(b) Both the statements are false.

(c) Statement is true, Statement 2 is false.

(d) Statement 2 is true, Statement I is false.

Q.2 Assertion (A): - A patent is a type of IPR which protects the scientific inventions.

Reason (R):- A patent is an inclusive right granted by the Government."

Mark the correct choice.

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

(b) Both (A) and (R) are true but (R) is not the correct explanation of (A)

(c) (A) is true but (R) is false

(d) (A) is false but (R) is true.

3. Match the following

Column I	Column II
1. Boot Strapping	(I) Individuals with surplus cash with a keen interest to invest in upcoming startups.

2.	Crowd funding	(ii) Professionally managed funds which are invested in companies that have huge potential.
3.	Angel Investor	(iii) Pooling of resources by a group of people for a common goal!
4.	Venture Capital	(iv) self- financing

(a) A-i B-ii C-iii D-iv (b) A-iv B-iii C-ii D-I

(c) A-ii B-i C-iv D-iii (d) A-iv B-ii C-I D-ii

Q.4 Arrange the following in ascending order according to the year in which they started.

(i) NSIC (ii) DIC (iii) Startup India Scheme.

(a) i,ii, iii (b) ii, iii, i (c) i,iii, ii (d) iii, ii, i

Q.5 The main act as objective of these institutions is to make available all necessary services at one place. They the focal point of industriatization of the district. They also provide loans, works sheds and raw materials to SSI units.

Identify the institution.

(a) NSIC (b) DIC (c) ICICI (d) SBI

Q.6 Rani opened a small scale industry in her village. They were skilled in making articles using bamboo. Their talent was effectively utilised by giving them jobs. How has Rani Contributed in socio-economic development in the above case?

(a) By customising goods (b) By contributing in market share

(c) By generating employment (d) None of the above.

CHAPTER 9
INTERNAL TRADE

Brain Map

Trade :- Trade refers to the process buying and selling of goods and service with the objective of earning profit. On the basis of geographical location of buyers and sellers, trade can be broadly classified into two categories :-

(i) Internal Trade (ii) External Trade

Internal Trade :- When trade takes place between the people of the same country then it is termed as internal trade.

Features of Internal Trade

1. Trade within the Geographical boundaries of a nation.
2. Free from custom duty or import duty.
3. Aims at equitable distribution of goods within nation.
4. Payment made in the legal currency of the country.

Internal trade can be classified into two broad categories.

(i) Wholesale Trade

(ii) Retail Trade

Wholesale Trade :- Buying and selling of goods and services in large quantities for the purpose of resale or intermediate use is referred to as wholesale trade. Wholesalers acts as an important link between manufacturers and retailers.

Features of Wholesale trade

1. Purchase goods in bigger lots.
2. Usually specialize in one particular kind of goods.
3. Sells in small lots to retailers.
4. Wholesaler bears the business risks by buying and selling goods in his own name.
5. They undertake various activities such as grading of products, packing into small lots, storage, transportation, promotion, gathering market information etc.

SERVICES OF WHOLESALER TO MANUFACTURERS

1. Wholesalers enable manufacturers to undertake large scale production as they purchase goods in large quantities from them.
2. Wholesaler buys goods in their own name and bear variety of risks such as the risk of fall in prices, theft, pilferage, spoilage, fire etc.
3. Wholesalers provide financial assistance to the manufacturers by making cash payment for the purchased goods.
4. Wholesaler provide various useful information regarding the customer preference, market conditions etc to the manufacturer.
5. Wholesalers help manufacturer in marketing function by purchasing goods from them and selling them to the retailers. This enable producers to concentrate on production activities.
6. Wholesalers provide the storage facilities also by holding the goods in their warehouses/Godowns.
7. The wholesaler facilitates continuity in production as they purchase the goods from producers as and when these are produced.

SERVICES OF WHOLESALERS TO RETAILERS

1 Wholesaler make goods available to the retailers, who make them available to the ultimate customers.

2. Wholesalers help retailers in the marketing of the goods by undertaking advertising and other sales promotional activities.
3. Wholesalers help retailers by providing credit facility to them.
4. Wholesalers sell goods to retailers in small quantities and thus retailers do not face the risk of storage, pilferage, reduction in prices etc.
5. Wholesalers do have specialized knowledge and they can help retailers by providing the same to them. They inform the retailers about new products. their uses and quality etc.
6. Whole sellersgenerally extend credit facility to retailers.

RETAIL TRADE :

Buying of goods in large quantities from the wholesalers and selling them in small quantities to the ultimate consumers is known as retail trade.

Features of Retail Trade

1. Buys variety of goods from wholesalers.
2. Deals in large variety of goods.
3. Sells goods in small quantity to consumers.
4. Last link in the distribution chain.
5. There may be different ways of retailing like personally on telephone, online, vending machines and in stores and shops.

SERVICES OF RETAILERS TO MANUFACTURERS AND WHOLESALER:-

1. Retailers help manufacturers and wholesalers in the distribution of their goods and services to the ultimate consumers.
2. Retailers help manufacturers and wholesalers in promoting their goods and services.
3. Retailers undertake personal selling efforts and thus, help manufacturers and wholesalers in the process of actualizing the sale of the products.
4. Retailers collect and provide market information about the tastes, preferences and attitudes of consumers to the producers.
5. Retailers make manufacturer and wholesaler free from the burden of making individual sales and thus help them to operate on large scale production.

SERVICES OF RETAILERS TO CONSUMERS :-

1. Retailers provide goods to consumers according to their requirements.
2. Retailers deals in large varieties of products of different manufacturers and thus they offer wide selection to the consumers.

3. Retailers provide important information about the new products to the consumers.
4. Retailers also provide after sales services in the form of home delivery, supply of spare parts and attending to the customers.
5. Retailers sometimes provide goods to customers on credit basis also. which increase their level of consumption and standard of living.
6. Retailers ensure regular availability of different goods to customers.

Q1. Pawan buys rice from Deepak in very large quantity and sells them to shopkeepers in small quantities. What type of trade does Pawan do ?

Q2. Who is the last link in the distribution chain?

Q3. What kind of activities are performed by whole sellers, which otherwise have to be performed by manufactures and retailers?

Q4. Atul has a small retail shop but has stock all variety of goods which people in locality use regularly. More over he also provide home delivery services to its customers. What services are provided by Atul to its customers?

GOODS AND SERVICES TAX (GST)

The Govt. of India following the principle of "One Nation and one Tax" and want a unified market in order to ensure the smooth flow of goods across the country, implemented the Goods and Service Tax (GST) from July 1-2017. The move also aims to make life easier for manufacturer, producers, investors and consumers. This system is regarded as the most revolutionary tax reforms in Indian Taxation history.

GST is a destination based single tax on the supply of goods and services from manufactures to consumer and has replaced multiple indirect taxes levied by central and state Govt., thereby converting the country into a unified market.

GST?

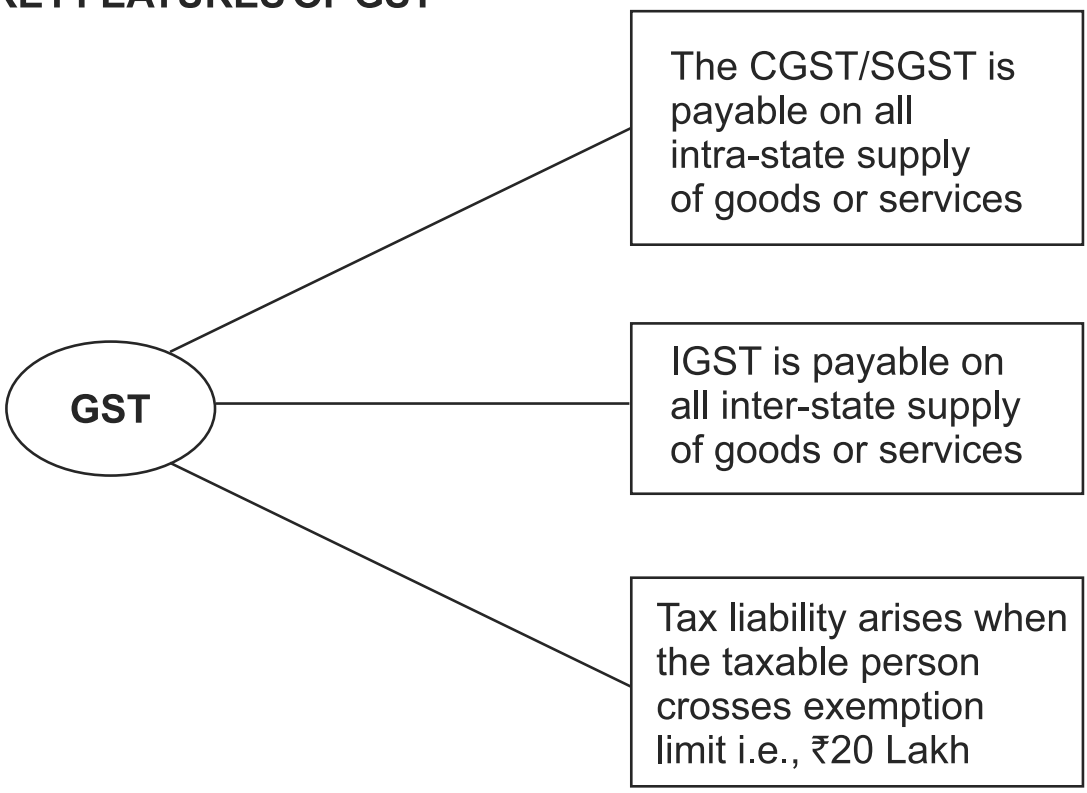
It refers to such a system of Indirect tax under which besides ease and uniformity at the National level, it is taken into consideration that the final consumers should not pay Tax on the tax.

MAIN TERMS TO BE USED IN GST

1. **Inward Supply:-** It refers to material or services which a supplier gets for manufacturing a product or service.
2. **Outward Supply:-** It refers to the goods or service which a supplier supplies to buyer.
3. **Input Tax:-** It refer to tax which is paid by an individual or a business unit at the time of Inward supply.
4. **Output Tax:-** It refers to the tax which is paid by an individual or a business unit at the time of output supply.
5. **Input Tax Credit (ITC):-** It refer to the amount by which a supplier decreases his output tax. This amount is the one which a supplier has already paid in the form of Indput tax on goods and services.

   Net Tax Payable = Output Tax - ITC
6. **Intra State Supply:-** When the goods and services are supplied within the same state or Union Territory, it is known as Intra State Supply.
7. **Inter State Supply:-** When goods or services are supplied from one state or Union Territory to another, it is inter state supply.
8. **Central GST (CGST):-** The share of central Govt. in total GST on the intra state supply collected by supplier is known as CGST. This amount is about 50% of total amount of GST collected.
9. **State GST (SGST):-** The share of state or Union Territory in total GST collected on the Intra State Supply is known as SGST. This amount is about 50% of total GST.
10. **Integrated GST (IGST):-** The Tax levied on the inter state supply is known as IGST. In this amount 50% is the share of state or Union Territory where the goods and services is ultimately consumed and the remaining amount is of central Govt.
11. **Value Addition:-** It refers to the tax levied only on the value addition, not on the tax on tax. In other words, the buyer will be paying tax on the total of the actual price of goods plus the profit realized. The input tax will not be added to the actual price and profit while calculating the tax.

KEY FEATURES OF GST



1. The territorial spread of GST is whole country including Jammu & Kashmir.
2. GST is applicable on the supply of goods or services as against the present concept of tax on the manufacturer or sale of goods or on the provision of services.
3. It is based on the principle of destination based consumption tax against the present principle of origin based taxation.
4. Import of goods and services is treated as inter-state supplies and would be subject to IGST in addition to the applicable custom duties.
5. CGST, SGST, and IGST are levied at rates mutually agreed upon by the centre and the states under the aegis of the GST council.
6. There are four tax slabs: 5%, 12%, 18%, and 28% for all goods and services. Decided by GST council.
7. Exports and supplies to SEZ are zero rated.
8. There are various modes of payment of tax available to the taxpayer, including Internet banking, debit / credit card / NEFT/ RTGS.

TYPES OF RETAIL TRADE

Retail trade can be classified into following two categories on the basis of whether or not they have a fixed place of business.

(I) Itinerant Retailers

(II) Fixed Shop Retailers

I. **Itinerant Retailers :-** The retailers who do not have a fixed place of business to operate from are called itinerant retailers. They have to move from one place to another along with their goods in search of consumers.

Following are the characteristics of itinerant retailers :-

1. They are small traders having limited resources.
2. They generally deal in consumer products of daily use.
3. They emphasize on providing greater customer services.
4. They do not have any fixed place to operate from, they keep limited inventory.
5. They keep limited stock of goods.

TYPES OF ITINERANT RETAILERS

1. **Peddlers and hawkers :-** They are small producers who generally deals in non-standardised and low-value product such as fruits, vegetables, toys etc. They carry the products on a bicycle, a hand cart. Cycle rickshaw or on their heads and move from place to place to sell their products at the doorstep of the customers. The main advantage of this form or retailing is the provision of convenient service to the consumers.

   Disadvantages : The quality and price of products sold by them is not reliable.

2. **Market traders :-** They are the small retailer who open. their shops at different places and sell the goods on. fixed days such as every Saturday or Tuesday. These trader deals in single line of goods such as toys, ready-made garment crockery etc. They are mainly catering to lower income group of customers.

3. **Street traders (Pavement Vendors) :-** These types of retailers are found at places where huge floating population gather such as railway station, bus stand etc and sell consumer items of common use. such as stationery, newspapers, toys etc. They are different from market traders because they don't change their place of business so frequently.

4. **Cheap jacks :-** They are small retailers who have independent shops of a temporary nature in a business locality. They keep on changing their business from one locality to another depending upon the potential of sales of products. But they don't change the place too frequently as compared to hawkers or market traders. They deal in consumer items and services such as repair of watches, shoes, buckets etc.

II. FIXED SHOP RETAILERS

Retailers who maintain permanent establishment to sell their goods are called fixed shop retailers. Following are the main characteristic of fixed shop retailers :-

1. As compared to itinerant traders, fixed shop retailers have greater resources.
2. They deals in durable as well as non-durable goods.
3. There are different size groups of fixed shop retailers varying from very - small to very large.
4. They have greater credibility in minds of consumers because they have fixed shop.
5. They provide greater services to customers such as home delivery guarantees, repairs, credit facilities, spare parts, etc.

TYPES OF FIXED SHOP RETAILERS :

Fixed shop retailers can be classified into two types

(a) Small shop keepers (b) Large retailers.

FIXED SHOP SMALL RETAILERS

These shops are of following types :-

1. **General Stores :-** These stores are mostly found in a near by market and in residential areas. They carry stock of such products which satisfy the daily needs of consumers. These stores remain open for long hours. They often provide credit facilities to some of their regular customers.

   Advantage of general stores : -

   a) Provide convenient buying by customers.

   b) Provide credit facility to its regular customers.

   c) These stores becomes successful because they have a rapport among customers.

2. **Speciality Shops :-** As the name suggests, these stores specialise in the sale of specific line of products. For example:- Toys & gift shops, school uniform shop, books store, etc.

   These are generally located in a central place, where a large number of customers can be attracted. They provide wide choice to customer with in the product line they used to sell.

3. **Street Stall Holders :-** These retail stores are commonly found at street crossings or any other place where flow of traffic is heavy. Thus they are able to attract floating customers.

   They deal in cheap variety of products like toys, soft drinks, tea, etc. Total area covered by them is limited. They procure their supplies from near by supplier as well as wholesalers.

4 **Second hand goods shop :-** As the name suggests, such shops deals in second-hand or used goods like books, automobiles, furniture and other household goods.

   Mostly people from lower-income group buy goods from such shops because these goods are cheaper as compare to new one. Sometimes such shops stock rare and antique value goods, which are sold at heavy prices.

   They are generally located at street crossing or in a busy street in the form of a stall or some temporary structure.

FIXED SHOP / LARGE STORE OR LARGE RETAILERS

Fixed shop large stores include following retailers

1. **Departmental Stores :-** A Departmental store is a large retail outlet offering a wide variety of products, classified into well defined departments under one roof. It has a number of departments. each specializes in single line of product such as toiletries. medicines, furniture, groceries etc within a store.

Following are the features of a departmental store :-

(i) They are located at a central place so that maximum customers could reach there.

(ii) They provide all facilities such as restaurant, travel and information bureau, telephone booth, restrooms etc.

(iii) These stores are very large in size and so they are generally formed as a joint stock company managed by a board of directors.

(iv) All the purchases in a departmental store are made by the purchase department of the store centrally

(v) A departmental store combines both the functions of retailing as well as Warehousing.

(vi) They provide maximum service to higher class of customers for whom price is of secondary importance.

Advantages of Departmental Stores.

1. They attract large number of customers as they are located at central places.
2. They provide great convenience to customers as they can purchase number of goods at one place.
3. They provide attractive services to customers like home delivery of goods, credit facilities. restrooms etc.
4. They are able to undertake various promotional activities which help people to know about the products.
5. They are organized at a very large scale and thus benefits of large-scale operations are available to them.

Limitations of Departmental Store.

1 They operate on large scale which lead to lack of personal attention to the customers.

2. They provide various services to the customers like restrooms, home delivery of goods etc which increases their operating cost and thus the overall price of the goods increases.

3. They are situated at a central place and thus they are not convenient for sudden required goods.

4. They operates on large scale and so the possibility of loss is also large/ high.

Chain Stores or Multiple Shops.

Chain store or multiple shop refer to network of retail shops that are owned and operated by same organization, established in localities spread in different parts of the country e.g. Bata Shoe Co., McDonald's etc. Some of the important features of such shops are as follows.

1. They are located in popular localities where maximum customers can approach.

2. The manufacturing or procurement of goods is centralized at the head office from Where the goods are despatched to each store or shop.

3. Each chain store is supervised by the Branch manager, who is responsible for its day to day working. He sends all the information like sales, cash deposits, requirement of the stock daily to head office.

4. All the branches are controlled by the head office.

5. The prices of goods are fixed and all sales are made on cash basis.

Advantages of Chain Stores.

1. They sell goods on cash basis and thus there are no losses on account of bad debts.

2. They eliminate middlemen in the sale of goods & services as they directly sell the goods & services to the customers.

3. Central procurement or manufacturing enables the organization to enjoy the economies of scale.

4. The total risk of an organization is reduced as the losses incurred by one shop may be covered by profits in other shop.

5. The goods not in demand in one locality may be transferred to another locality Where they are in demand, which reduces the chances of dead stock.

6. Flexibility in operations :- In case a shop is not operating at a profit, then it may be closed or shifted to other locality without affecting the profitability of the organization as a whole.

Limitations of Chain Stores.

1. Chain stores sell goods produced of their organization only and so they offer limited choice of goods.

2. Employees managing the chain store have to obey the instructions of the head office. Thus, they do not take their own initiatives to satisfy the needs of customers.

3. If the demand for the goods handled by multiple shop reduces, it may leads to heavy losses as large amount of stock remains unsold at the central office.

4. Lack of initiative In the employees sometimes leads to indifference and lack of personal touch in them.

Q.1 Name the retail organization where same type of commodoties are sold at uniform prices, located all over the country.

Q.2 Robin liked a pair of shoes for his brother in a Bata Showroom in Faridabad, but they did not have the required size. The shop manager called the nearest Bata Showroom and ensured Robin to collect the shoes in an hour's time. Which feature of chain store have been explained here?

Q.3 How the street traders are different from market traders?

Q.4 (i) What kind of products are offered by second hand goods shop?

(ii) What kind of consumers second hand goods shop cater to?

Difference between Departmental Stores and Multiple Shops

	Basics	Departmental Stores	Multiple Stores
1.	Location	Centrally located place in the city	They are located at number of places for approaching a large number of customers.
2.	Range of Products	They have a variety of products of different types	Only specified range of the company's products are available
3.	Services offered	They provide maximum services to their customers	They provide limited services like guarantees, repairs, etc.
4.	Pricing	They do not have uniform pricing	They sell goods at fixed prices and maintain uniform pricing policies for all stores.
5.	Class of Customers	They cater to needs of relatively high in come group of customers who care more for services then prices.	They cater to different types of customers including lower income groups
6.	Credit Facility	They may provide credit facility	They do not provide credit facility
7.	Flexibility	They have more flexibility in respect of goods marketed	They have loss flexibility branch managers have to follow instructions of head office

Points to be remembered

1. Private Sector's Business are owned by private individuals or groups — Reliance Industries, Airtel, LG, Samsung.
2. Retailer is the trader who directly deals with consumers.
3. Retailer trade is categorized as - itinerant Retailer & Fixed Shop Retailer
4. A large retail outlet offering a wide variety of products, classified into well defined departments — Departmental store
5. Departmental stores features :-
   - centrally located
   - provide all facilities e.g. restaurant, rest rooms, etc.
   - generally formed by a Joint Stock Company
   - combines functions of retailing and warehousing
6. **Chain stores** refer to network of retail shops that are owned and operated by same organisation, established in localities spread in different parts of the country
7. Features of chain stores
   - located in popular localities
   - manufacturing or procurement of goods is centralized at the head office
   - each chain store is supervised by the branch manager
   - prices of goods are fixed

Multiple Choice Questions (1-13)

1. Wholesalers provide _____ and _____ utility by making products available at right place and required time.

   [Hint: Time & place]

2. On the basis of merchandise handled, retail trade is classified as

   (a) large/medium/small retailers

   (b) soletrader/partnership firm/cooperative store/company

   (c) Speciality store/super market/departmental store

   (d) None of the above

3. Ramlal sells vegetables in a cycle rickshaw and moves from place to place. He provides them at doorstep of his customers. Which category of itinerant retailer is he?

   (a) Market trader (b) Street trader

   (c) Peddler and hawker (d) Cheap jacks

4. Iftar Sidiqui has a shop of second hand books in 'Nai Sarak' Delhi. Which type of retail trade is her doing?

   (a) General store (b) Cheap jack

   (c) Speciality shop (d) Second hand goods shop

5. John Jacob has a consumer electronic goods shop in South Delhi. Which type of retail trade is he doing?

   (a) General store (b) Cheap jack

   (c) Speciality shop (d) Second hand goods shop

6. McDonalds comes under which category of retailers?

   (a) Departmental store (b) Chain store

   (c) Speciality store (d) General store

7. 'The loss incurred by one shop may be covered by profits in other shops, reducing risk an organisation'. Advantage of which type of retail trade has been referred to here? [Hint: Chain store]

8. GST is a _____ single tax on the supply of goods & services from the manufacturer to consumer. (Fill in the blanks)

9. Which tak is called 'One Nation and One Tax'?

(a) Sales tax (b) GST

(c) Custom duty (d) None of the above

10. GST has replaced _____ indirect taxes and _____ cesses of the Centre and the States.

11. Big Bazaar is an example of which type of fixed shop

(a) Speciality shop (b) Departmental store

(c) Chain store (d) General store

12. Trade involving buying and selling of goods and services within the boundaries of a nation is called International Trade. (True or False.)

13. Which type of business has no personal contact between buyers and sellers

(a) Mail Order Houses (b) Chain store

(c) Departmental stores (d) None of the above

Instructions for (14 & 15) Read the following statements: Assertion (A) and Reason (R) Choose the correct alternative from those given below:

a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b) Both Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

c) Assertion (A) is true but Reason (R) is False.

d) Assertion (A) is False but Reason (R) is True.

14. ASSERTION (A): Departmental Stores are generally formed as a joint stock company managed by a board of directors. REASON (R): Departmental stores are very large in size.

15. ASSERTION (A): Usually, Wholesalers specialize in one particular kind of goods. REASON (R): A wholesaler purchases goods in bigger lots.

16. What kind of Itinerant Retailers is shown in this image? Write two characteristics of this retailer as well.



17. Which Service of retailer to consumer is depicted in the following image?



Instructions for 18 & 19. Read the following two statements and choose the correct alternative from the given below:

a) Both Statement I and II are correct.

b) Statement I is correct but Statement II is incorrect

c) Statement II is correct but Statement I is incorrect

d) Both Statement I and II are incorrect.

18. Statement 1: Wholesalers help retailers by providing credit facilities to them. Wholesalers provide financial assistance to the manufacturers by making cash payment for the purchased goods.

19. Statement I: Chain Stores are located in the central location of the city/town.

Statement II: Branches of chain stores are controlled by the Branch Manager.

20. Match the following:

Table 1	Table 2
(i) General Store	(a) Cheap variety of products
(ii) Speciality Store	(b) Sells antique goods
(iii) Street Stall Holders	(c) Credit facility to customers
(iv) Second Hand Goods Shop	(d) specific line of products

Answers to MCQs / Objective Type / Fill ups

1.	time, place	2.	(c)	3.	(c)	4.	(d)
5.	(c)	6.	(b)	7.	Chain store		
8.	destination based	9.	(b)	10.	17, 23	11.	(b)
12.	False	13.	(a)	14.	(a)	15.	(b)

16. Peddlers and hawkers

17. Information about the new products to the consumers.

18.	(a)	19.	(d)	20.	(i)-(c) (ii)-d (iii)-(a) (iv)-(b)

VERY SHORT QUESTIONS (1 MARK EACH)

Q. 1 Which shops deal in specific line products?

Q.2 Rohit displays lots of magazines on a busy street corner near the railway station. Identify and explain the type of retail referred here?

Q.3 Sanjeev trades in open rented places. The moment the opportunity of making profit at a particular place get diminished, he changes his place of trade. Identify the type of itinerant trader Sanjeev is.

Q.4 Why is there no loss due to bad debts in chain stores?

Q.5 What is integrated GST (IGST)?

SHORT ANSWER TYPE QUESTIONS
(CARRYING 3/4 MARKS EACH)

Q. 1 Jyoti has shifted residence in a new settlement colony. There are no retail shops nearby. What difficulties will Jyoti face in above case?

Q. 2 Mention differences between departmental store and multiple shops.

Q. 3 A manufacturing Company manufacturing cloth open shops at different locations in India. He sells goods on cash only The shops have identical decorations. The prices of goods are fixed. In this way they eliminate unnecessary middleman thus benefitting the consumers.

(a) Identify the type of shop referred to.

(b) Elaborate three characteristics of such shops

Q. 4 Vishal buys goods in larger quantities and sells them to small businessmen

(a) Which type of trader in Vishal?

(b) State four characteristics of this type of trade.

Q. 5 Name the retail organization where same type of commodoties are sold at uniform prices located all over the country state its any three features.

Q. 6 Rectify the following statements if found wrong :-

i) A wholesaler buys goods from the retailer.

ii) A wholesaler has direct link with the consumers.

iii) The amount of capital required is more in case of retail trade as compared to the wholesale trade.

iv) Retailers give credit facilities to wholesales.

Q. 7 There is a very famous shopping complex 'Great India Place' in Noida. Varied types of products and services are available here under one roof. Customer not only purchase the products but also get entertainment and food. Identify this type of organization of retail trade and write its features.

Q. 7 "Departmental stores make shopping easy." Explain.

Q.8 Ram and Shyam are friends. They have to attend the birthday party of a common friend; Ram goes to 'Poshak kids wear' exclusively for kids wear with his parents to get a new dress for party whereas Shyam purchase his dress from 'Smart garments.' His mother and brother also bought their dresses from 'Smart Garments'. Identify the types of stores Ram & Shyam visited and give its features.

LONG ANSWER TYPE QUESTIONS (CARRYING 5/6 MARKS EACH)

Q.1 Difference between wholesale trade and retail trade and retail trade.

Q.2 What are departmental stores? Explain their advantages and limitations

Q. 3 Explain the main type of Itinerant retailers.

Q. 4 Despite the opening of Malls and big departmental stores Itinerant traders are integral part of India's Internal trade. Analyse the reasons for their survival.

Q. 5 Uma a village girl comes to Delhi to visit her relatives. She goes with her cousin to a shop. which is centrally located. She becomes astonished by the varieties of goods which are sold here

(a) Identify this type of shop

(b) Quoting lines from the above para describe two characteristics of the shop. Explain four advantages of such shoops.

Q6. A London based manufacturing co. manufacturing washing machines wish to add 2 new products in India namely AC's ad Refrigerators. Out of a lot of 10 applicants the co. chose two wholesale firms (headed by females) whose proposals were very competitive and attractive. The wholesaler firm of AC's hired the services of a (differently abled retailer) Hari at competitive prices to sell AC's in Delhi, Hari informs his wholesaler firm's head that the consumers of Delhi wish that

their houses are cold when they reach their homes in the scorching heat of Delhi.

(a) Explain three services rendered by retailers to wholesalers or manufacturers.

(b) Identify two values which are being adhered to in the above para.

Q7. Prithvi firms buys Basmati Rice from different Manufacturers in huge quantities and sells these to Randhir Sons, Avichal Bros. etc. in small quantities under their own Brand name.

(i) In your opinion what services will Prithvi Firms proVide to Randhir Sons & Avichal firms? (State any 2)

(ii) What services are provided by Prithvi firms to manufacturer? (State any 2)

(iii) What services are provided by Prithvi firms to the society? (State any 2)

Q.8 Give Argument in favour of and against elimination of wholesalers from the channels of distribution.

Q.9 Mr. Deenanath lives in a remote area and there is no local market near by. What difficulties would Deenanath face as there are no retail shops?

Q.10 "Both departmental stores and multiple shops are large retail establishment yet they are different? Explain how.

Q.11 Vinay is a sweet makes (Halwai). Due to increased demand on Diwali, he ordered 1000kg khoya from Ramesh, who is the only supplier of khoya in the area. Ramesh provided him credit facility because it was not possible for Vinay to pay such a huge amount immediately. Vinay also keep on informing about the quality of khoya supplied. Answer The following questions.

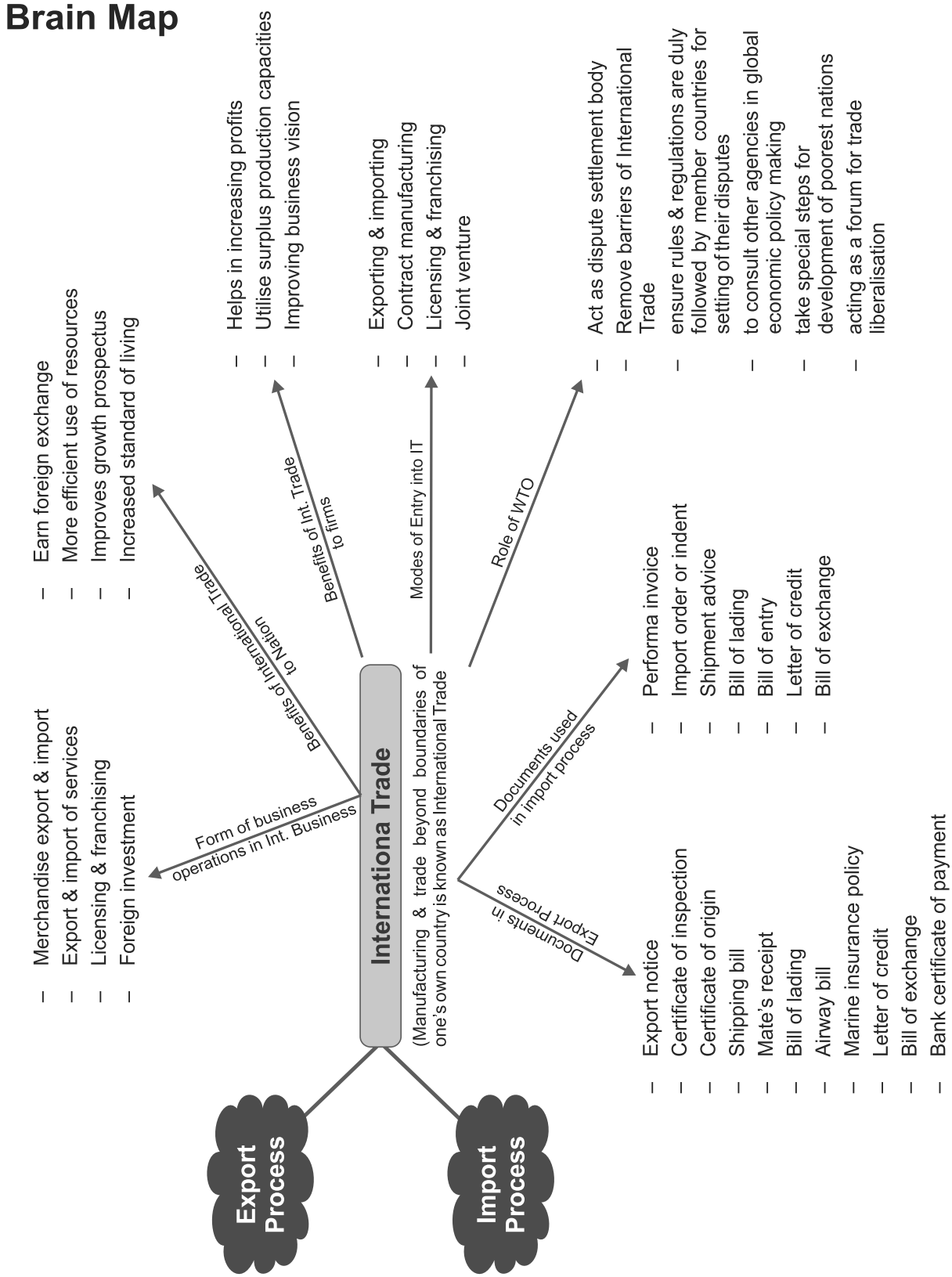
I) What type of trader Vinay is?

ii) What type of trader Ramesh is?

iii) What facility is provided by Ramesh to Vinay?

CHAPTER-10
INTERNATIONAL BUSINESS

Brain Map



Meaning of International Business :-

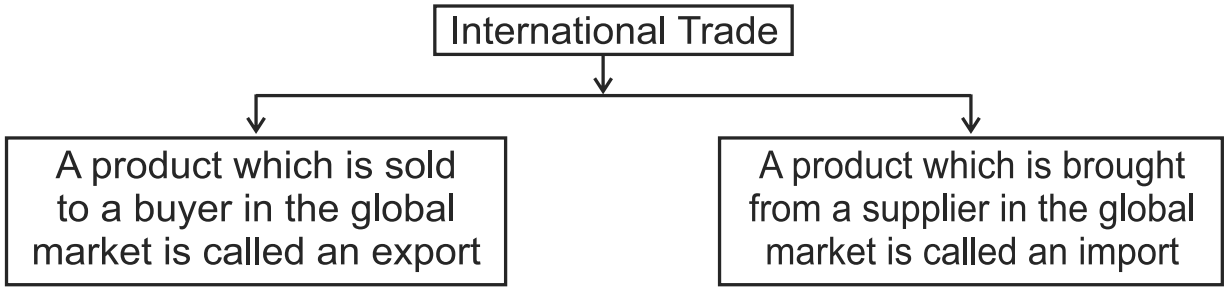
Manufacturing and trading beyond the geographical boundaries of a country is known as international business. The development of communication, technology and infrastructure etc make it possible. New modes of communication and development of faster and more efficient means of transportation have brought nations closer to one another as a result of which trade between them can take place. Following are the main reasons behind international business.

1) Unequal distribution of natural resources and differences in the productivity levels of the countries make them incapable of producing every good of their requirement.

2) Labour productivity and production costs differ among nations due to socioeconomic, geographical and political reasons.

3) The availability of different factors of production such as labour, capital and raw materials differ among nations.

Concept of International Business



Major forms of business operations that constitute international are as follows :

1) Merchandise exports and imports. Merchandies exports means sending tangible goods abroad and merchandise imports means bringing tangible goods from abroad. Eg. - Machinery, electronic goods, metals, chemicals etc.

2) Exports and imports of services which involve trade in intangible items that can not be seen or touched. It is also called invisible trade.

   For example - medical science, hospitality service to tourist, transporting, across the world etc.

3) Another way of entering into international business is licensing and franchising country to produce and sell goods under their trademarks patents or copy right in lieu of some fee which is called licensing Pepsi and Coca-Cola are produced & sold all

over the world by local companies in foreign countries under licensing system. Franchising is similar to licensing, but it is used in connection with the provision of services. MCDonald's operates fast food restaurants all over the world through the system of franchising.

4) Foreign investment is another important form of international business. It can be of two types : direct and portfolio investments. Direct investment takes place when a company directly invests in properties such as plant & machinery in foreign countries with a view-to undertake production and marketing of goods and services in those countries. It provides the investor a controlling interest in a foreign country. Under portfolio investment, a company makes investment by acquiring shares or providing loans to a foreign company & earns income by way of dividends or interest on loan. In this investor does not get directly involved in production or marketing of goods.

Benefits of International Business

International Business is important to both nations and business firms. It offers them various benefits.

Benefits to Nations :

1) It helps a country to earn foreign exchange which can be used for importing various goods from abroad.

2) It leads to specialisation of a nation in the production of those goods which can be produced by it in the most effective and economical manner.

3) It helps a nation in growth and employment prospects and also create opportunities for employment.

4) It make it possible for people to consume goods and services produced in other countries which help in increasing their standard of living.

Benefits to Firms :

1) It helps in increasing profits of the firms by selling goods in the countries where prices are high.

2) It help firms in using their surplus production capacities and improving the profitability of their operations.

3) It help firms in improving their growth prospects.

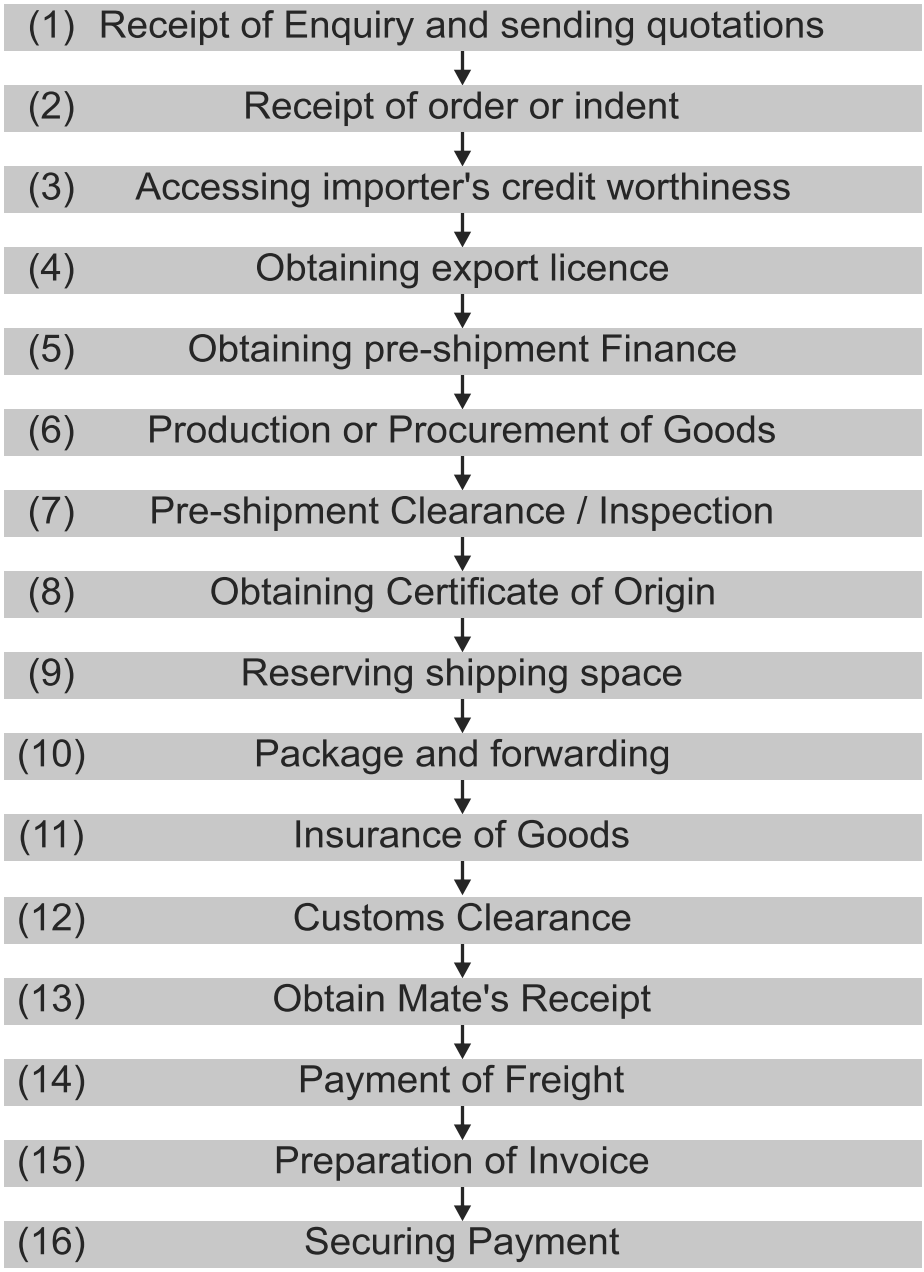
4) It acts as one of the ways of achieving growth for firms facing tough market conditions in the domestic market.

5) It improves business vision as it make firms more competitive, and diversified.

Difference between Domestic & International Business

BASIS	DOMESTIC BUSINESS	INTERNATIONAL BUSINESS
1. Nationality of buyers & sellers	Both buyers & sellers belong to same country.	Buyers & sellers belong to different countries.
2. Mobility of sectors of production	The factors of production like capital, labour and raw material can move freely within the country.	Buyers & sellers belong to different countries. There are restrictions on free mobility of factors of production across countries.
3. Mode of payment	Payment can be done through cheque, draft, cash etc.	Payment is done through telegraphic transfer, LOC, Bills of exchange.
4. Mode of transport	Modes are used as per convenience e.g. Rail, Road, Air etc.	Good are shipped out of geographical boundaries of country this only air or sea can be used.
5. Cost of transportation	Quite low cost	Comparatively more expensive as these are long distance deliveries.
6. Govt. Registration	Enterprise can start their business once the business is established. No need of special license to sell	Enterprise need to register with import and export organisation. IEC certificate is a must for international business.
7. Customer heterogenei -ty across market	Domestic markets are relative more homogeneous in nature.	International markets lack homogeneity due to differences in languages, preferences customs etc. across markets.
8. Currency Used	Currency of home country is used.	Currency used in business in transactions is that of more than one country.
9. Political System	It has to face the political system and risk of only one country.	It is subjected to political system & risk of different countries.

Export Process



Steps Involved in Export Transactions

1) An exporter receives an enquiry from the prospective buyers seeking information regarding price, quality & other terms conditions for export of goods. The exporter sends a quotation known as pro forma invoice as reply.

2) If the buyer is satisfied with the export price & other terms & conditions, he places the order or indent for the goods.

3) After receiving the order or indent, the exporter undertakes

an enquiry regarding the credit worthiness of importer to assess the risk of nonpayment by the importer. Most exporters demand a photo from importer. A 'letter of credit' is a guarantee issued by the importer's bank that it will hono -ur the payment of export bill to the bank of the exporter.

4) According to custom laws the exporter or the export firm must have export license before proceeding with exports. The following procedure is followed for obtaining the export license.

   - To open a bank account in any authorised bank.
   - To obtain import export code (IEC) number from Directorate General Foreign Trade (DGFT) or Regional Import Export Licensing Authority (RIELA).
   - Register with appropriate export promotion council.
   - To get registered with Export Credit and Guarantee Corporation (ECGC) in order to safeguard against risk of non-payments.

5) After obtaining the export license the exporter approaches his banker in order to obtain pre-shipment finance for carrying out production.

6) Exporter, after obtaining the pre-shipment finance from the bank, proceeds to get the goods ready as per the orders of the importer.

7) Government of India ensures that only good quality products are exported from India. The exporter has to submit the pre-shipment inspection report along with other documents at the time of export.

8) According to Central Excise Tariff Act, excise duty on the material used in manufacturing goods is to be paid. For this purpose exporter has to apply to the concerned Excise Commissioner in the region with an invoice.

9) In order to obtain Tariff concessions or other exemptions the importer may ask the exporter to send certificate of origin.

10) The exporter applies to the shipping company for provision of shipping space. He has to provide complete information regarding the goods to be exported, probable date of shipment and port of destination. The shipping company issues a shipping order. Which is an instruction to the captain of the ship, after accepting application for shipping.

11) The goods are packed & marked with necessary details like name & address of the importer, gross & net weight, port of shipment & destination etc. After this the exporter makes arrangement for the transportation of goods to the port.

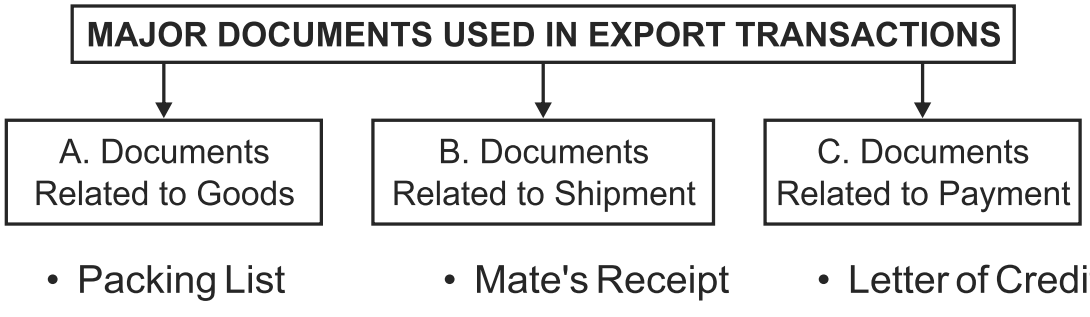
12) In order to protect the goods against the risk of loss or damage due to the perils of the sea transit the exporter gets the perils of the sea transit the exporter gets the goods insured with an insurance company.

13) Bills are required by the importer for getting the goods cleared from customs.

Q1. Uthappa wants to export his goods. Does he require letter of credit for obtaining export license?

Q2. Jailerishan is an exporter. He sends his goods through seaways. Whenever his goods get loaded on the ship port superintendent gets a receipt from the captain of the ship. Name that receipt.

Q3. Why Pre-Shipment finance is needed to?



- Certificate of origin
- Certificate of Inspection
- Export invoice
- Shipping Bill
- Bill of Landing
- Airway Bill
- Marine Insurance Policy
- Bill of exchange
- Bank Certificate of payment

DOCUMENTS USED IN EXPORT TRANSACTIONS

A. Documents Related to Goods :

1) **Export Invoice :** It is a seller's bill information about goods like quantity, number of packages, marks on packing, name of ship, port of destination, terms of delivery & payments etc.

2) **Certificate of Inspection :** For ensuring quality the government has made inspection of certain goods compulsory by some authorised agency like export inspection council of India (EICI) etc. After inspecting the goods, the agency issues a certificate of inspection that the consignment has been inspected as required under the export (Quality Control & Inspection Act, 1963)

3) **Packing List :** This document is in the form of a statement regarding the number of cases or packs & the details of the goods contained in these packs. It provides complete details regarding the goods exported & the form in which they are being sent.

4) **Certificate of Origin** : This certificate specifies the country in which the goods are being manufactured. This certificate enables the importer to claim tariff concessions or other exemptions. This certificate is also required in case when there is a ban on imports of some goods from certain countries.

Q1. 'Lokantha marine insurance co is a reputed insurance co. Which insures all kinds of marine transport, ships & cargos. 'Polo' Ltd. Trans International Co. Which exports clothes to various countries. 'Polo' cargos are insured by 'Lokantha' Co. A ship containing Polo's Garments met with an accident

& drowned. Will 'Polo' CO. gets any claims from insurance co. If yes why? Give reason.

Q2. 'Kohinoor Basmati Rice' wants to export Basmati Rice to Nigeria. What will be the role EICI in ensuring the quality of products exported by Kohinoor Co.

Q3. Why certificate of origin is required ?

B. Documents Related to Shipment :

1) **Shipping Bill** : It is the main document on the basis of which permission is granted for the export of goods by the custom office. It contains full details regarding the goods being exported name of the vessel, exporters name & address, country of final destination etc.

2) **Mate's Receipt** : This receipt is issued by the captain or mate of the ship to the exporter after the goods are loaded on board of the ship. It contains name of the vessel, description of packages, marks, conditions of the cargo at the time of receipt onboard the ship etc.

3) **Bill of lading** : It is a document issued by the shipping company. It acts as an evidence regarding the acceptance of shipping company to carry the goods to the port of destination. It is also referred to as document of title to the goods & is freely transferable by endorsement & delivery.

4) **Airway Bill** : Similar to a shipping bill, an airway bill is a document issued by the airline company on receiving the goods on board, its aircraft and at the same time giving its acceptance to carry them to the port of destination.

5) **Marine Insurance Policy** : It is a document containing contact between the exporter & the Insurance Company to indemnify the insured against the loss incurred by the insured in respect of goods exposed to the perils of the sea transit in consideration of a payment called premium.

C. Document related to payment :

1) **Letter of Credit** : It is a guarantee letter issued by the

importer's bank stating that it will honour the export bills to the bank of the exporter up to a certain amount.

Q1. If a country imports more than it exports which of the following must be true?

a) The country has a positive balance payments.

b) The country has a positive balance of trade.

c) The country is in debt.

d) The country has a trade deficit.

Q2. What is mater's receipt? What it contains?

Q3. What is bill of lading? Why it is important?

2) **Bill of Exchange** : In export & import transaction, exporter draws the bill on the importer asking him to pay a specified amount to a certain person or the bearer of the instrument. The documents required by the importer for claiming title of exported goods are passed on to him only when the importer accepts this bill.

3) **Bank Certificate of Payment** : It is a certificate that the necessary documents relating to the particular export consignment have been negotiated & payment has been received in accordance with the exchange control regulations.

Import Process





IMPORT PROCEDURE

1. The first step involved in importing goods is to gather information about the countries & firms which export the product required by the importer. It can be gathered from trade directories, trade associations & organisations. The exporter prepares a quotation also known as Performa Invoice & sends it to the importer.

2. The Importer consults the export import (EXIM) Policy is force, in order to know whether the goods that he/she wants to import are subjected to import licensing or not. If License is required then it is to be obtained.

3. In case of an import transaction the supplier resides in a foreign country hence he demands payment in foreign currency. This involves exchange of Indian Currency into Foreign Currency. The Exchange Control Department of the Reserve Bank of India (RBI) regulates foreign exchange transactions in India. As per rules, every importer has to secure the sanction of foreign exchange.

4. The importer places an import order or indent with the exporter for the supply of specified goods. The order contains information regarding price, quality, quantity, size & grade of goods instruction regarding packing, delivery shipping, mode of payment etc.

5. When the payment terms are agreed between the importer & the overseas supplier, the importer obtains the letter of credit from its banker & forwards it to the overseas supplier.

6. The importer arrange for the funds in advance to pay the exporter on arrival of goods at the port this enables the importer to avoid

huge penalties on the imported goods lying uncleared at the port for want of payments.

7. The overseas supplier after loading the goods on the ship dispatches the Shipment Advice to the importer. It provides information regarding, shipment of goods like invoice number, bill of lading/airway bill, name of ship with date description of goods & quantity etc.

8. After shipping the goods, the overseas supplier hands over the various documents like commercial invoice, bill of lading, insurance policy certificate of origin to his banker for their onward transmission to the importer when he accepts the bill of exchange drawn by the supplier. The acceptance of bill of exchange by the importer for the purpose of getting delivery of the document is known as retirement of import documents.

9. When the goods arrive in the importer's country, the person incharge of the carried informs the officer incharge at the dock or the airport about it. The person incharge of the ship or airway provides the document called import general manifest for unloading of cargo.

10. Imported goods are subjected to customs clearance which is a very lengthy process & involves a lot of formalities. The importer usually appoints a C&F agent for fulfilling these formalities.

11. First of all the importer obtains a delivery order which is also known as endorsement for delivery. This order enables the importer to take the delivery of goods after paying the freight charges.

12. Besides freight charges, importer also has to pay dock dues for obtaining port trust dues receipts for which he submits two copies of a duly filled in form know as application to import to the Landing & Shipping Dues Office. After paying dock dues the importer get back one copy of application as a receipt which is referred as port trust dues receipts.

13. Finally the importer fills in a form known as bill of entry for assessment of customs import duty. An examiner examines the imported goods & gives his report on the bill of entry. This bill then presented to the port authority which on receiving necessary charges, issues the release order.

Q1. Radhika wants to indulge in an import trade which first step should she take as the idea of import trade course into her mind?

Q2. Laxman wants to import 1000 Laptops from a Chinese electronic company. What proof should Laxman present to Chinese Co. for his credit worthiness?

Q3. Medi Equipments Ltd. imported 20 MRI machine from Germany. What document is required by the company to unload the cargo from ship.

Q4. What is the role of "C & F agent" in the Export / Import process?

Documents used in an Import Transaction

1) **Proforma Invoice** : A proforma invoice is a document that contains details as to the quality, grade, design, size, weight & price of the export product & the terms & conditions on which their export will take place.

2) **Import order or Indent** : It is a document in which the importer orders for supply of requisite goods to the supplier. The order containing the information such as quantity & quality of goods, price, method of forwarding the goods, nature of packing, mode of payment etc.

3) **Shipment advice** : The exporter sends shipment advice to the importer for informing him that the shipment of goods

has been made. It contains invoice number bill of lading/airways bill number & date, name of the vessel with date, the port of export, description of goods & quality & the date of sailing of the vessel.

4) **Bill of Lading** : It is prepared & signed by the master of the ship acknowledging the receipt of goods on board, it contains terms & conditions on which the goods are to be taken to the port of destination.

5) **Bill of entry** : It is a form supplied by the customs office to the importer who filled it at the time of receiving the goods. It has to be in triplicate and is to be submitted to the customs office. It contains information such as name & address of the importer, name of the ship, number of packages, of marks on the packages, description of goods, quantity and value of goods, name and address of the exporter, port of destination and custom duty payable.

6) **Letter of Credit** : It is document that contains a guarantee from the importer's bank to the exporter's bank that it is undertaking to honour the payment upto a certain amount of the bills issued by the exporter for export of the goods to the importer.

7) **Bills of exchange** : Explained earlier.

ORGANIZATIONAL SUPPORT

World Trade Organisation (WTO)

It Came into existence on 1st January 1995. The headquarters of WTO is situated at Geneva, Switzerland. It is a permanent organization created by an international treaty rectified by the Governments and legislatures of member states.

It is concerned with solving trade problems between countries and providing a forum for multilateral trade negotiations.

WTO governs not only trade of goods but also the services and intellectual property rights.

WTO is a member driven and rule-based organisation, because all decision are taken by member nations on basis of consensus. It is a principal international body concerned with solving trade problems between countries and providing a forum for multilateral trade negotiations.

Objectives of WTO

1. *To reduce the trade tariffs and barriers imposed by different countries in the smooth flow of international trade.*
2. *To improve the standard of living, create employment, increase income and effective demand and facilitate higher production and trade.*
3. *To maintain sustainable development by optimally using world's resources.*
4. *To promote an integrated, more viable and durable trading system among nations.*

Role / Functions of WTO

1. *To remove barriers of International trade.*
2. *To Act as a dispute settlement body by settling trade related disputes among member nations.*
3. *To ensure that all the rules and regulations prescribed in the Act are duly followed by the member countries for settling of their disputes.*
4. *Laying down a commonly accepted code of conduct for international trade aiming at reducing tariff and non-tariff barriers in international trade.*
5. *To consult other agencies to bring better understanding cooperation in global economic policy making.*
6. *Providing technical assistance and guidance related to*

management of foreign trade and fiscal policy to its member nations.

7. *Taking special steps for the development of the poorest nations.*

8. *Reviewing trade related economic policies of member countries with the help of its Trade Policy Review Body.*

9. *Co-operating with IMF and World bank and its associates for establishing co-ordination in global trade policy making.*

10. *Acting as forum for trade liberalization.*

VERY SHORT QUESTIONS (CARRYING 1 MARK EACH) (1-11)

Q.1 List two modes of entry into international business.

Q.2 Name any two export documents related to payment.

Q.3 Name two International Trade Institutions.

Q.4 Name the document containing guarantee of a bank to honour drafts drawn on it by an exporter's bank.

Q.5 Why there is a need for pre-shipment inspection?

Q. 6 What is the significance of bill of entry?

Q.7 Write the full form of FDI?

Q.8 Robin and Mayank are exporters Robin exports fruits & vegetables whereas Mayank provides shipping services. What is the different the trades carried out by Robin & Mayank.

Q.9 What is Global sourcing for Production ?

Q.10 Raman is a shoe manufactures. He wants to export his products. Tell any one benefit nation received from his international business.

Q.11 Amar wants to make foreign investment advises him any one means of foreign investment.

SHORT ANSWER QUESTIONS (1-12)

(CARRYING 3/4 MARKS EACH)

Q.1 Give difference between Internal trade and International trade.

Q.2 What is Bill of Landing? How is it different from Bill of Entry?

Q.3 *What are the objectives of WTO?*

Q.4 China is a major producer of electronic goods at very low cost as compared to India. Discuss the benefits that India will derive if it enters into a trade agreement with China for electronic goods.

Q.5 List the codal formalities to obtain IEC No.

Q.6 Enumerate the complexities involved in international business. (at least 4 points)

Q.7 List the formalities involved in getting an export licence.

Q.8 Explain the following documents used in International trade:-

(i) Mate's Receipt.

(ii) Letter of credit

(iii) Shipping Bill

(iv) Certificate of origin

Q.9 Mr. Raj Ordered some mobile phones from South Korean Co. In the order he gave details of the quantity of goods, their type, price and all other required things related to it. His brother Mr. Rampal also ordered the same to a Japanese company. But in the order he did not give the account of all things related to the import of goods.

State what do we call the order in the language of International business. What shall we call the order placed by Mr. Raj & Mr. Rampal in the language of International business

*[***Hint :-** *Types of order]*

Q.10 International business is a compulsion to beat the odd distribution of national resources' comment.

*[**Hint:-** Benefit of international business]*

Q.11 Which is the most appropriate and secure method of payment adopted to settle international transactions. Why do exporters demand this letter from the importers explain ?

Q.12 It was decided in the 'Bretton Woods Conference' to set up International Trade Organisation (ITO) to promote and facilitate international trade among the member countries. The idea could not succeed. The participants of the conference made some arrangements known as GATT and at last they were able to form an organisation on the same proposal of ITO.

(a) Name the organisation so formed.

(b) What does GATT stand for.

(c) Why could the proposal not materialize earlier?

(d) What values should be kept in mind while making international trade regulations?

LONG QUESTIONS (CARRYING 5/6 MARKS EACH) (1-9)

Q. 1 Explain the benefits of International business (i) to Nations (ii) to firms.

Q. 2 Explain the documents used in export procedure.

Or

S. Ltd. is exporting garments to Indonesia. Which documents will be used in this procedure by S. Ltd.

Q.3 You are planning to import laptops from USA. Describe the procedure in importing them.

*Q.4 You are a manufacturer of Shirts. You are planning to export these shirts to Uganda (Africa) what are the difficulties you might face in exporting them. (Hint * difficulties of international trade)*

Q.5 RIPPLES Industries has received an export order of 5000 kids jeans from Wol Mart USA. What export procedure you will follow to execute this export order?

Q.6 Identify the documents highlighted in the following statements:-

(i) This document is issued by the commanding officer of the ship to the exporter after cargo is loaded on the ship.

(ii) This document is prepared by shipping company to acknowledge the receipt of goods on ship and gives an undertaking to carry them to port of destination.

(iii) This document is the most appropriate and secure method of payment to settle international transactions.

(iv) On the basis of this document, custom's office grants permission for the export.

(v) This document in prepared by the importer and it shows the details of goods imported

(vi) On the basis of this document imported goods are unloaded from the carrier. (import manifest)

Q.7 Mr. Manchanda is a business man in Gurgoan he manufactures scooters. His son after doing an MBA in USA returns to India and suggests that they should set up a fully owned factory in Bangkok for supplying to customers in South East Area and Middle East. Mr. Manchanda however does not agree to his proposal and wants to set his unit in South India. They are having a debate in this. With whom do you agree? Give reasons for support of your answer.

Or

In your opinion what are their points of difference.

Q. 8 What is the role or functions of WTO?

Q.9 "ABC Ltd." produces kids wear. The company think of selling its goods in U.K. But the weaker side of the company is that its marketing side is weak but the production side is strong. 'ABC Ltd. met a U.K. based company 'D Ltd.' whose marketing side is very strong. Both the companies has an agreement made between themselves that the company of first country will manufacture goods an send them to D Ltd. The job of selling goods will be done by D Ltd. What do we call this type of business agreement ? Write briefly its meaning and any of its four merits.

Objective Type Questions/MCQs **(1 marks)**

1 Which of the following is not an advantage of exporting?

(a) Easier way to enter into international markets

(b) Comparatively lower risks

(c) Limited presence in foreign markets

(d) Less investment requirements

2 Which one of the following is not amongst India's major export items?

(a) Textiles and garments (b) Gems and jewellery

(c) Oil and petroleum products (d) Basmati rice

3 Which one of the following is not amongst India's major import items?

(a) Ayurvedic medicines

(b) Oil and Petroleum products

(c) Pearls and precious stones

(d) Electronic Harware

4 Which of the following documents are not required for obtaining an export licence?

(a) IEC number (b) Letter of credit

(c) Registration-cum-membership certificate (d) Bank account number

5 Which of the following documents is not required in connection with an import transaction?

(a) Bill of lading (b) Shipping bill

(c) Certificate of origin (d) Shipment advice

6 Which of the following do not form part of duty drawback scheme?

(a) Refund of excise duties

(b) Refund of customs duties

(c) Refund of export duties

(d) Refund of income dock charges at the port of shipment

7 Which one of the following is not a part of export documents?

(a) Commercial invoice (b) Certificate of origin

(c) Bill of entry (d) Mate's receipt

8 A receipt issued by the commanding officer of the ship when the cargo is loaded on the ship is known as:

(a) Shipping receipt (b) Wholly owned subsidiary

(c) Cargo receipt (d) Charter receipt

9 Which of the following document is prepared by the exporter and includes details of the cargo in terms of the shipper's name, the number of packages, the shipping bill, prot of destination and name of the vehicle carrying the cargo?

(a) Shipping bill (b) Packaging list

(c) Mate's receipt (d) Bill of exchange

10 The document containing the guarantee of a bank of honour drafts drawn on it by an exporter is:

(a) Letter of hypothecation (b) Letter of credit

(c) Bill of lading (d) Bill of exchange

11 TRIP is one of the WTO agreements that deal with:

(a) Trade in agriculture

(b) Trade in services

(c) Trade related investment measures

(d) None of these

12 Why is would called a global village now-a-days?

[Hint: Business in presents days is no longer restricted to boundaries of domestic country]

_____ is a successor to GATT.

13 Match the following

(a)	Mate's Receipt	(I)	The certificate specifies origin of goods exported
(b)	Certificate of Origin	(ii)	This is prepared by shipping company to acknowledge the receipt of goods on ship and gives an undertaking to carry them to port of destination
(c)	Bill of Lading	(iii)	It is issued by Captain of the ship to exporter after cargo is loaded
(d)	Import General Manifest	(iv)	Imported goods are unloaded from the carrier based on it

Multiple Choice Questions (MCQ)

Instructions for 14 & 15. Read the following statements: Assertion (A) and Reason (R). Choose the correct alternative from those given below

(a) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

(b) Assertion (A) and Reason (R) are true and Reason (R) is not the correct explanation of Assertion (A).

(c) Assertion (A) is true but Reason (R) is False. d) Assertion (A) is False but Reason (R) is True.

14. Assertion (A): Bill of lading is issued by a shipping company. Reason(R). It is evidence that the shipping company had accepted to carry the goods to the port of destination.

15. Assertion (A): Letter of credit is a guarantee from the importer's bank to the exporter's bank. Reason (R): It is an undertaking to honour the payment up to a certain amount of the bills issued by exporters for export of the goods to the importers for exports.

16. See the image clearly and answer the following:

(i) Who is Mr. Manoj in the Import process?

(ii) Why has the importer appointed Mr. Manoj? [Hint: Read the import process]

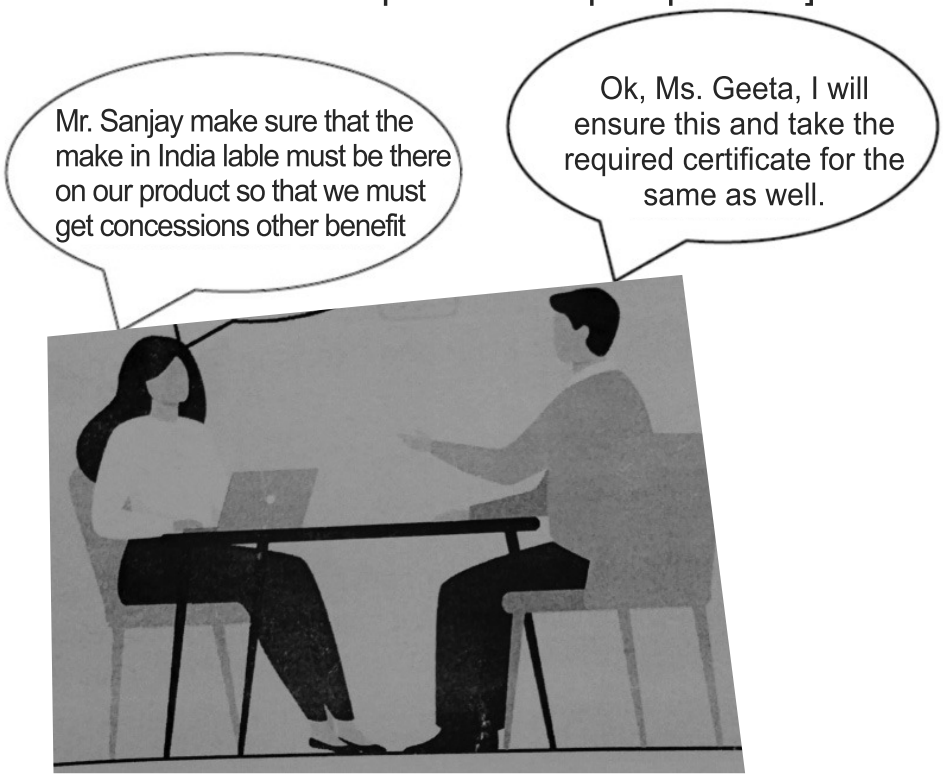


17. See the image clearly and answer the following:

(i) name the certificate to which Mr. Sanjay is referring to?

(ii) What are the other benefits of such a certificate ?

[Hint: see documents required for export process]



Instructions for 18 to 20. Read the following two statements and choose the correct alternative from the given below:

(a) Both Statement I and II are correct.
(b) Statement I is correct but Statement II is incorrect
(c) Statement II is correct but Statement I is incorrect
(c) Both Statement I and II are incorrect.

18. Statement I: One way of entering into International Business is licensing and franchising.

    Statement II: Foreign investment in the form of Direct and portfolio investment is another way of entering into International Business.

19. Statement I: All the countries of the world are members of WTO. Statement II: WTO governs trade of goods only.

20. Statement I: Mode of transportation used in Domestic Trade is roadways.

    Statement II: Mode of transportation used in International trade is only airways or through the sea.

Business Study-XI

Sample Paper with Marking Scheme

Duration: 3 hours Max. Marks: 80

General Instructions :-

Read the following instructions very carefully and strictly follow them

1. This question paper contains 34 questions. All questions are compulsory.
2. Marks are indicated against each question.
3. Answers should be brief and to the point.
4. Answers to questions carrying 3 marks may be from 50 to 75 words.
5. Answers to questions carrying 4 marks may be in about 150 words.
6. Answers to questions carrying 6 marks may be in about 200 words.
7. Attempt all parts of a question together

Questions 1 to 20 are Multiple Choice Questions (MCQs), carrying 1 mark 20x1-20 each.

Q. 1. The Board of directors of Medex Pharma Ltd. decided to issue debentures worth 40 lakhs in order to finance a major Research and Development project. (1)

The reason that will justify the above situation is:

(a) Unfavourable, this will increase financial burden.
(b) Favourable, this will not affect the ownership rights.
(c) Favourable, this may increase earnings per share.
(d) All the above.

Q. 2. People work to earn living. In which of the following one is not paid for his/her work and thus not considered as economic activity. (1)

(a) Clerical work in a bank
(b) Teaching in government school
(c) cooking by a housewife
(d) car production

Q. 3. With the presence of women in the joint hindu family business, there has been an amendment in Hindu Succession Act, 2005

The related amendment of the Act referred in the above lines is: (1)

(a) the daughter of a co-parcener of a joint hindu family shall, birth, become a coparcener.
(b) The control of the family business lies with the karta
(c) Minors can also be members of the business.
(d) The liability of all members (except female karta) is limited.

Q. 4. Name the machine provides 24 x 7 service and customers can withdraw cash during any 1 time of the day or night. (1)

(a) Paytm (b) EFT
(c) ATM (d) UPI

Q. 5. The credit extended by one trader to another for the purchase of goods and services. It facilitates the purchase of supplies without immediate payment. It is not known as (1)

(a) Trade Credit (b) Mercantile credit
(c) short term finance (d) Public deposits

Q. 6. Make in India is an initiative by the Government of India to create and encourage companies to develop, manufacture and assemble products made in India. When it was launched? (1)



(a) 25 September 2014 (b) 15 September 2014
(c) 25 September 2013 (d) 15 September 2013

Q. 7. Limit of investment in small scale industry is_____. (1)

(a) ten crore (b) five crore
(c) two crore (d) one crore

Q. 8. **Assertion (A) :** Itinerant retailers do not have fixed selling Point.

Reason (R) : Fixed Shop retailers have fixed selling point. (1)

(a) Both assertion (A) & Reason (R) are correct & Reason is the correct explanation of Assertion.

(b) Both assertion (A) & Reason (R) are correct but Reason is not the correct explanation of Assertion.

(c) Assertion (A) is correct but Reason (R) is incorrect.

(d) Assertion (A) is incorrect but Reason (R) is correct.

Q. 9. **Statement 1:** Social responsibility relates to the voluntary efforts on the part of the businessmen to contribute to the social well-being.

Statement 2: Social Responsibility enhances the quality of life and standard of living of people. (1)

Choose the correct option:

(a) S1 is correct and S2 is incorrect

(b) 52 is correct and S1 is incorrect.

(c) Both are correct.

(d) Both are incorrect.

Q. 10. Match the following features given in Column I with the types of itinerant retailers given in Column II. (1)

Column I	Column II
1. Selling the goods on fixed days	i. Peddlers and hawkers
2. Selling their goods where huge floating population gathers like railway station, bus stand etc.	ii Cheap jacks iii. Market traders iv. Street vendors
3. Independent shops of temporary nature in a business locality	
4. Carry the products on bicycle or handcart for sale	

(a) 1. (ii), 2. (iv), 3. (iii), 4. (i)

(b) 1. (i), 2. (iv), 3. (ii), 4. (iii)

c) 1 (ii), 2. (iii), 3, (iv), 4. (i)

(d) 1. (iii), 2. (iv), 3. (ii), 4. (i)

Q. 11. Stages in the formation of a public company are in the following order (1)

(a) Capital Subscription, Promotion, Incorporation, Commencement of Business

(b) Incorporation, Capital Subscription, Promotion, Commencement of Business

(c) Promotion, Commencement of Business, Incorporation, Capital Subscription

(d) Promotion, Incorporation, Capital Subscription, Commencement of Business

Q. 12. In which of the following modes of entry, does the domestic manufacturer give the right to use intellectual property such as patent and trademark to a manufacturer in a foreign country for a fee? (1)

(a) None of these (b) Joint venture
(c) Licensing (d) Contract manufacturing

Q. 13. The small scale industry can enjoy the status of if it supplies not less than 50% of its production to another industry, referred to as the parent unit. (1)

(a) ancillary small industry (b) export-oriented unit
(c) micro business industry (d) village industries

Q. 14. Cattle breeding farms, poultry farms, and fish hatchery come under which industry? (1)

(a) Genetic (b) None of there
(c) Manufacturing (d) Extractive

Q. 15. Funds required for purchasing current assets is an example of: (1)

(a) Fixed capital requirement (b) Lease financing
(c) Working capital requirement (d) Ploughing back of profits

Q. 16. Which of the following industries is not reserved for public sector? (1)

(a) Arms (b) Atomic Energy
(c) Rail Transport (d) Sugar Industry

Q. 17. Which of the following comes under Modern Small Industries? (1)

(a) Khadi (b) Handicrafts
(c) Coir (d) Powerlooms

Q. 18. State which of the following statements regarding reasons for international business are correct: (1)

(a) All of these
(b) International business transactions involve use of currencies of more than one country.
(c) Labour productivity and production costs differ among nations due to various socioeconomic, geographical and political reasons
(d) Availability of various factors of production differs among nations

Q. 19. A warehouse keeper accepts goods for the purpose of (1)

(a) export (b) selling

(c) storage (d) packaging

Q. 20. B2B commerce means: (1)

(a) None of these

(b) Firm's interactions with other business

(c) Firm's internal processes

(d) Firm's interactions with its customers

Q. 21. The forwarding Agent of Paliwal Private Ltd., after getting the goods loaded on the ship gets the Mate's Receipt. What will the Forwarding Agent have to do immediately after it? Explain briefly. (1)

Q. 22. Folly is doing his business of buying and selling of garments products within India. He goes on business trips around his state even on very short notice. Sometimes through his own car. There are no or very few formalities involved in Folly's business. Payments are made and received in the home country currency only i.e., no exchange of currency is required. (1)

(i). Buying and selling goods within the geographical area of the country. Which type of trade is it?

(ii. Give any two examples of such trade.

Q. 23. Distinguish between Pure risk and Speculative risk on the following basis: (1)

i. Meaning

ii. Possibility of profits/loss

iii. Risk coverage.

OR

. Name the six hindrances to trade.

Q.24. Why is adequate finance necessary to start the business?

OR

What are the advantages and disadvantages of preference shares? (1)

Q.25. List out any four disadvantages of international trade for the underdeveloped and developing countries.

OR

List out major affiliated bodies of the World Bank.

Q.26. India is the largest milk producer in the world. Moreover, increasing demand for milk and milk product has made dairy farming a profitable business. Considering these facts Raghu, an industrialist has decided to set up a dairy farm and a cheese producing unit in Haryana. He plans to deal in an extensive range of Fresh Mozzarella, Processed Cheeses, Pizza Cheese, Cheese Singles, Naturally Flavored Cheeses (with Black pepper, Garlic, Cumin, Herbs & Spice), Mascarpone, Mozzarella & Grated Cheese for Pizza in various combinations.

In the context of the above case:

i. Identify the different kinds of industries Raghu wants to set up.

ii. State and explain the categories of types of industries to which the different kind industries as identified in part (i) belong to.

OR

Karan is running a grocery shop in the nearby local market whereas his friend Priyanshu works as a finance manager in a reputed IT company. In the context of the above case:

i. Identify the different types of economic activities both the friends are engaged in.

ii. Distinguish between the two different types of economic activities as identified in part (i) of the question (any two points).

Q.27. After completing a course in gemology, Esha joins her father in the family business of fashion jewellery. Her father owns two showrooms at different locations in the city and operates his business through them. However, Esha intends to expand the business by venturing into online retailing. She also intends to introduce flexible manufacturing with the use of computer networks wherein the marketing department can interact constantly with the production department and get the customized products made as per the requirements of the individual customer.

(a) How is the mode of business that Esha intends to adopt different from the one that her father has been following over the years?

(b) Distinguish between the two different modes of business as identified in part (a) of the question by giving any four points.

Q.28. Why is the government company form of organization preferred to other types in the public sector?

Q.29. Britannia Industries Ltd. is committed to helping secure every child's right to growth and development through good food every day. The company is working in partnership with Global Alliance for Improved Nutrition (GAIN) and the Naandi Foundation to supply iron-fortified Tiger biscuits to supplement the Mid- Day Meal program in schools. Iron deficiency among Indian children is a key cause of school

dropouts as well as decreased productivity. In keeping with its core essence of "Swasth Khao Tan Man Jagao", the company constantly strives to find sustainable opportunities to drive home the message of nutrition and good food habits among children at the right age. In the context of the above case answer the following questions:

(a) Identify the kind of social responsibility being discharged by Britannia Industries Ltd.

(b) Briefly explain any two other kinds of social responsibilities.

Q.30. Suhasini and some of her friends jointly set up "Trimurti Limited'. The business of their company was to manufacture blankets at a low rate. At the time of setting up the company, they issued 25000 shares of the face value of 100. In this way, they started their business with a capital of 25 lac. Before collecting the money from the public, they decided that they would issue such security as should not let the company undergo any fixed financial burden. Also, they wished to have the capital from such a source as should enable the company to keep the capital for a long time. To collect the capital Suhasini and her friends issued a prospectus. Through it, they told the public that in the coming years, the company expected to earn a big profit and that the price of its shares would be very very high. As a result, investors would be able to earn extra profit. In the prospectus, it was also said that the company would organize its meetings from time to time and that the investors would be invited to these meetings. They would have the right to cast their votes in these meetings. The company collected money from the public and the company's business started. The company started earning more profit than what had been promised to the investors.

i. Identify the type of shares issued by 'Trimurti Limited.'

ii. Quoting the relevant lines write about the two advantages each to the investors and to the company from the shares identified in (1)

Q.31. Cafe Coffee Day (abbreviated as CCD) is an Indian cafe chain owned by Coffee Day Global Limited, a subsidiary of Coffee Day Enterprises Limited. There are around 1,600 outlets of CCD across India. All the outlets of CCD are under the control of the head office.

(a) Identify the type of retail outlet being described in the given case.

(b) State five features of the type of retail outlet as identified in part (a) of the question.

OR

Several middlemen remain present between the producers and consumers. Their presence causes an unnecessary increase in the prices of goods. Some consumers of a locality resolved to free

themselves from the clutches of the middlemen. They think that the profit which goes to the middlemen should come to them.

You suggest to him what kind of business they should begin. All these people know nothing about business. Therefore, tell them about the demerits or limitations of business also.

Q.32. Briefly explain any five merits of issuing equity shares.

OR

Yamini bought three hundred 10% preference shares of ABC Ltd. in the year 2016. The face value of each share is Rs. 100. She didn't receive any dividend on them during 2016 due to insufficient profits of the company. In the year 2017, the company made surplus profits. Calculate the amount of dividend payable to her in the year 2017 assuming that she is holding:
(a) Cumulative Preference Shares
(b) Non-Cumulative Preference Shares

Q.33. A new cooperative store has been set up in Delhi through registration under Delhi 6 Cooperative Societies Act. It has been set up to make bulk procurement of essential consumer goods from the various wholesalers and supply the same to the public at large on reasonable prices, to enable those stores to sell the consumer goods to the public at lower prices than those prevailing in the open market.

In the context of the above case answer the following questions:
(a) Identify the type of cooperative society being described in the above lines.
(b) State any three features of the type of cooperative so identified in part of the question.

Q.34. Danush visited a new restaurant 'Darbaar' with his parents. They all liked the food served in the restaurant. After a week Danush took his friends to 'Darbaar' and placed an order for the same dishes that he had liked during his previous visit. But to his surprise, he found that the taste of the food was not as good as it was during his previous visit. As a result, he felt very disappointed. In the context of the above case, answer the following questions:
a. Identify the feature of services being discussed above.
b. Explain briefly three other features of services.

Marking Scheme
Sample Paper

1. (d) All the above.

   Explanation: Distribution of profit will be available more to shareholders.

2. (c) cooking by a housewife

   Explanation: No money paid to her work

3. (a) the daughter of a co-parcener of a joint Hindu family shall, birth, become a coparcener.

   Explanation: Earlier no girl child used to be co parcener by birth.

4. (b) ATM Explanation: It is automated teller machine and others are not machines.

5. (d) Public deposits

   Explanation: They are accepted from public.

6. (a) 25 September 2014

7. (d) one crore Explanation: A small scale industrial undertaking is defined as one in which the investment in fixed assets of plant and machinery does not exceed rupees one crore.

8. (b) Both assertion (A) & Reason (R) are correct but Reason is not the correct explanation of Assertion.

9. (c) both are correct

10. (d) 1) 2(iv) 3(i) 4(1)

11. (a) Public sector

    Explanation: The pubic sector consists of various organisations owned and managed by the government.

12. (c) Licensing

    Explanation: Licensing refers to permitting another party in a foreign country to produce and sell goods under trademarks. patents or copyrights in lieu of some fee.

13. (a) ancillary small industry Explanation: A small scale industry becomes an ancillary industry to another industry by supplying a minimum of 50 per cent of its production to the other industry which is referred to as the parent unit.

14. (a) Genetic

    Explanation: Genetic industries are those industries that are engaged in

re-production and multiplication of species of plants and animals with the sole objective of sale and earning profit.

15. (c) Working capital requirement

    Explanation: The funds required for day to day operations i.e. to meet expenses like wages, salary, rent, insurance, etc. and investment in current assets i.e. inventory, bills receivable, etc.

16. (d) Sugar Industry

    Explanation: Sugar Industry

17. (d) Powerlooms

    Explanation: Powerlooms comes under modern small industries.

18. (a) All of these

    Explanation: All of the above reasons are correct for international trade.

19. (c) storage

    Explanation: A warehouse is a commercial building for storage of goods. Warehouses are used by manufacturers, importers, exporters, wholesalers, transport businesses, customs, etc.

20. (b) Firm's interactions with other business Explanation: Firm's interactions with other business.

21. After getting Mate's receipt, the forwarding agent has to go to the office of the shipping company and fill up a form. This form is known as the 'Bill of Lading". Now he will have to deposit the Bill of Lading and the Mate's Receipt in the office. The Officer of the shipping company will keep the Mate's Receipt with himself and return the Bill of Lading to the Forwarding Agent after putting his signatures.

22. i. Internal trade: Trade which takes place within a country is known as Internal Trade.

    ii. Examples of internal trade are a mall and an exhibition.

23. Difference between Pure risk and Speculative risk on the following basis:

Basis of Distinction	Pure risk	Speculative risk
(1) Meaning	Pure risk involves no possibility of gain; either a loss occurs or no loss occurs	Speculative Risk is the risk which involves three possible outcomes: loss, gain or no change

(ii) Possibility of profits/loss	The occurrence of this risk may result in loss only and no gains.	The occurrence of this risk may result in the possibility of both gains as well as loss.
(iii) Risk coverage	Insurance services provide coverage of such risks.	Such risks cannot be covered under insurance provisions.

OR

i. Hindrance of persons.

ii. Hindrance of place.

iii. Hindrance of time.

iv. Hindrance of risk.

v. Hindrance of finance.

vi. Hindrance of information/Knowledge.

24. Business need finance to pay for their overhead costs as well as their day to day and variable expenses. Here are three situations when businesses need to finance the most:

i. **Starting a business:** Huge amount of finance is needed to start a business that requires buying fixed assets, paying rents, and other overheads as well as producing or procuring the raw material and goods to sell. The finance required to start a business is known as startup finance.

ii. **Expanding a business:** when expanding a huge amount of capital is needed in order to buy more fixed assets or to fund a takeover. Internal growth by developing new products also requires a notable amount of finance.

iii. **A business in difficulties:** A loss-making businesses money is needed to buy more efficient machinery or to cover negative cash flow.

OR

In a company, preference shareholders experience both advantages and disadvantages. On the upside, they collect dividend payments before common stock shareholders receive such income. But on the downside, they do not enjoy any voting rights that common shareholders typically have.

25. Following are the disadvantages of international trade for underdeveloped and developing countries:

i. **Economic Dependence:** Most of the underdeveloped and developing countries are totally dependent on the exporting countries for importing the goods and services for their economic development. Too much dependence on exporting countries has serious political and socio-economic implications.

ii. **Dumping of goods:** Many exporting countries in order to capture the market in underdeveloped countries, dump their goods at throwaway prices. Though such goods are inferior and have a shorter life; they attract customers in importing countries which results in a cut-throat competition for domestic industries.

iii. **Adverse effect on BOP:** Because of relatively more freedom in international trade, the underdeveloped and developing nations are not in a position to compete with developed countries due to lack of competence. Thus, the balance of payment remains negative on a long-term basis.

iv. **Colonialism:** International trade leads to colonialism in the world, which means the domination of developed countries over-dependent underdeveloped countries to fulfill their mean interests.

OR

The following are the major affiliated bodies of the World Bank:-

a. **IBRD:** The International Bank for Reconstruction and Development (IBRD) was established in 1945 to assist in the reconstruction of war affected countries. It mainly aims at facilitating the development of the poor nations of the world.

b. **IFC:** The IFC or the International Finance Corporation, was formed in 1956 as a separate legal entity to provide finance to the private sector in developing nations. The IFC is part of the World Bank Group. It has its own funds and functions.

c. **MIGA:** MIGA refers to the Multinational Investment Guarantee Agency. It was established in April 1988 with the objective of encouraging foreign direct investments in the less developed countries, insuring investors against political and non-commercial risks, providing advisory services, etc.

26 i.The different kinds of industries Raghu wants to set up are

(a) Primary Industry: Dairy Farming

(b) Secondary Industry: Cheese Production Unit

ii. The categories of types of industries discussed above are:

(a) Genetic Industry which is a type of Primary Industry. Genetic Industries are engaged in breeding plants and animals for their use in future reproduction like dairy farming industry.

(b) Manufacturing Industry which is a type of Secondary Industry. Manufacturing industries are engaged in the processing of raw materials to produce finished goods. Here Cheese Production Unit produces various combinations of cheese.

OR

i. The different types of economic activities both the friends are engaged in are: Karan is doing Business whereas the occupation of Priyanshu is Employment.

ii. The difference between Business and Employment is given below:

S. No.	Basis	Business	Employment
1.	Qualification	There is no minimum qualification required for running a business successfully.	A person should be qualified in accordance with the nature of employment that he/she wishes to take up.
2.	Reward	Profit earned is the reward for a businessman.	An employee is paid salary/wages.

27. a. Esha intends to start e-business, whereas her father is following the traditional business.

b. The difference between e-business and traditional business is as follow:

S. No	Basis of distinction	Traditional business	e-business
1.	Ease of formation	The procedure involved in setting up the business is difficult.	The procedure involved in setting up the business is simple.
2.	Physical presence	Required	Not require

3.	Cost of setting up	High investment is needed	Investments are low as there is need for physical facilities.
4.	Operating cost	Operating cost is high due to fixed charges associated with an investment in procurement and storage, production, marketing, and distribution facilities.	The operating cost is low business operates on a network o relationships rather than ownership of resources.

28. The government company form of organization preferred to the other types in the public sector, due to the following reasons:

i. It has a separate legal entity, apart from the government.

ii. It enjoys autonomy in all management decisions and takes actions according to business prudence.

iii. A government company can be established by fulfilling the requirements of the Indian Companies Act. A separate act in the parliament is not required.

29. a. Discretionary responsibility is being discharged by Britannia Industries Ltd. as it is working towards the welfare of the children purely on a voluntary basis.

b. The other two other kinds of social responsibilities are stated below:

i. **Economic responsibility** is the primary responsibility of a business enterprise and relates to the production of goods and services that are as per the needs and wants of society and selling them at a profit.

ii. **Legal responsibility** means that every business must operate within the laws of the land.

30. i. Equity Shares

ii**. a. Advantages to Company:**

I. they decided that they would issue such security and fixed Financial Burden. (No fixed burden)

II. Also, they wished to have the capital from such a source as should enable the company to keep the capital for a long time. (Arrangement of Permanent capital)

b. Advantages to Investors:

I. As a result, investors would be able to earn extra profit. (To earn a capital profit)

II. They would have the right to cast their votes in these meetings. (To participate in managerial activities)

31. The type of retail outlet being described is 'Chain Stores or Multiple Shops'.

a. Five features of Chain Stores are

i. **Location:** These shops are located in populated localities, where a sufficient number of customers can be approached.

ii. **Centralised Purchases:** The head office makes all the purchases for all these multiple shops. Thereafter, goods are dispatched to different shops as per their requirements. It saves the cost of operation of these shops.

iii. **Centralised control:** All stores are controlled by the head office, which formulates policies and gets them implemented in different shops.

iv. **Cash sales:** All the sales at the multiple shops are made on a cash basis and cash is deposited daily into the bank account on behalf of the head office and a report is sent to the head office in this regard.

v. **Regular inspection:** The head office normally appoints inspectors,

who inspect the retails shops with respect to the quality of customer service provided, adherence to policies of head office, and so on.

OR

These people will find "Consumers' Cooperative Store" useful to be set up because this is only the business organisation which can save/free them from the clutches of middlemen. But before beginning this business, it is necessary for them to be aware of its demerits. Demerits of Consumers Co-operative Store:

i. Loss has to be faced when the market is dull.

ii. There is a possibility of quarrels because consumers form groups.

iii. There is a lack of speciality in these stores because the customers cannot play the role of businessmen successfully.

iv. The spirit of cooperativeness is lost because of the large number of members.

v. There is the facility of withdrawing one's capital. Sometimes, when a large number of members take out their capital, it endangers the existence of the store.

32. The capital obtained by the issue of equity shares is known as equity share capital. It is an important source of obtaining long-term finance. Equity shareholders are the owners of the company. The rate of dividend is paid after meeting all other claims.

Merits:

i. Equity shares do not create any obligation to pay a fixed rate of dividend.

ii. Equity shares can be issued without creating any charge over the assets of the company.

iii. It is a permanent source of capital and the company has to repay it except under liquidation.

iv. Equity shareholders are the real owners of the company who have voting rights.

v. In the case of profits, equity shareholders are the real gainers by way of increased dividends and appreciation in the value of shares.

OR

On Cumulative Preference Shares, the unpaid dividend on shares gets accumulated and is due for payment in future years. Dividend due to Yamini in the year 2016-300 × 100x 10/100-Rs. 3000 Dividend due to Yamini in the year 2017-300 * 100 * 10/100 Rs. 3000

Total dividend due to Yamini - Rs. 6000

(b) On Non-Cumulative Preference Shares, the unpaid dividend on shares does not get accumulated and is not paid as arrears in the future years. Therefore, only Rs. 3000 is due to Yamini as a dividend. (Dividend due to Yamini in the year 2017-300x100x 10/100-Rs. 3000)

33.

a. Consumer's Cooperative Society is being described in the above lines.

b. The three features of a consumer cooperative society are:

i. The society aims to protect the interests of consumers by achieving economy in operations by purchasing goods in bulk directly from the wholesalers and selling them directly to the members thereby, eliminating the middlemen.

ii. The members comprise of consumers who are desirous of obtaining

good quality products at reasonable prices.

iii. Profits, if any, are distributed on the basis of either their capital contributions to the society or purchases made by individual members.

34.

a. The feature of services being discussed above is 'Inconsistency'. It means unlike goods, services are not standardised. It may differ from individual to individual and is based on consumer demands and expectations. Moreover, the quality of services may also vary depending upon the approach of the service providers. The efficiency of a dedicated and committed service provider will be more.

b. The three other features of services are:

i. Intangibility: Like goodwill of a business, services are intangible in nature. They cannot be touched. Since they are purely experiential is nature the quality of services cannot be determined before consumption. Therefore, it is essential that the service providers work deliberately towards creating desired services in order to ensure that the consumer undergoes a favourable experience. For example, watching a movie should be a pleasant experience for the audience.

ii. Inseparability: The presence of the customer is required and his/her interaction with the process of providing services has to be managed. It is the simultaneous activity of production and consumption, thereby making both of them inseparable.

iii. Inventory: Unlike goods, services cannot be produced and stored beforehand. The services have to be performed as and when a consumer asks for it. Services are perishable therefore, the marketers may keep an inventory of the related goods but not the services itself. For example, a beauty salon may only keep a ready stock of accessories like a comb, water dispenser, hairdryer, scissors, etc. which are needed to provide a haircut service to a client, but the service itself cannot be stored.

COMMON ANNUAL SCHOOL EXAMINATION (2022-23)
CLASS: XI
SUBJECT: BUSINESS STUDIES (054)

Time Allowed: 3 hours

Maximum Marks: 80

समय: 3 घंटे

अधिकतम अंक 80

सामान्य-निर्देश :

1. प्रश्न पत्र में 34 प्रश्न हैं।
2. सभी प्रश्न अनिवार्य हैं।
3. प्रश्न संख्या 1 से 20 प्रत्येक का 1 अंक है।
4. प्रश्न संख्या 21-24 लघु उत्तरीय प्रकार-1 प्रश्न हैं, प्रत्येक के 3 अंक हैं।
5. प्रश्न संख्या 25-30 लघु उत्तरीय प्रकार- 11 प्रश्न हैं, प्रत्येक के 4 अंक हैं।
6. प्रश्न संख्या 31-34 दीर्घ उत्तरीय प्रश्न हैं, प्रत्येक के 6 अंक हैं।
7. कोई समग्र विकल्प नहीं है। हालांकि तीन अंकों के 2 प्रश्नों, चार अंकों के 2 प्रश्नों और छह अंकों के 2 प्रश्नों में आंतरिक विकल्प प्रदान किया गया है।

General Instructions:

1. There are 34 questions in the question paper.
2. All questions are compulsory
3. Question no. 1 to 20 carry 1 mark each.
4 Question no. 21-24 are short answer type-I questions carrying 3 marks each.
5. Question no. 25-30 are short answer type-II questions carrying 4 marks each.
6. Question no. 31-34 are long answer type questions carrying 6 marks each.
7. There is no overall choice. However, an internal choice has been provided in 2 questions of three marks, 2 questions of four marks and 2 questions of six marks.

1. यदि श्री राजू अपना घरेलू रेडियो सेट लाभ में बेचते हैं, तो उन्हें व्यवसायी नहीं माना जाएगा। लेकिन अगर वह नियमित रूप से किसी दुकान या अपने घर से रेडियो सेट बेचते हैं, तो उन्हें एक व्यापारी माना जाएगा। ऊपर चर्चा की गई व्यवसाय की विशेषता को पहचानें : (1)

(a) यह एक आर्थिक क्रिया है।

(b) वस्तुओं और सेवाओं का विक्रय अथवा विनिमय।।

(c) नियमित रूप से वस्तुओं और सेवाओं का विनिमय ।

(d) लाभ अर्जन का उद्देश्य ।

If Mr. Raju sells his domestic radio set at a profit, he will not be considered a businessman. But if he sells radio sets regularly either through a shop or from his residence, he will be regarded as a businessman. Identify the characteristic of business discussed above:

(a) An economic activity

(b) Sale or exchange of goods and services

(c) Dealings in goods and services on a regular basis

(d) Profit earning

2. भारत सरकार एक सरकारी उपक्रम स्थापित करना चाहती है जिसकी स्थापना संसद के विशेष अधिनियम के द्वारा होगी। इसके अधिकार एवं कार्य इसके कर्मचारियों से, संबंधित नियम एवं कानून तथा सरकार के विभिन्न विभागों से इसके संबंध इस अधिनियम में परिभाषित होंगे। इसे एक निगमित व्यक्ति माना जाएगा जिसके पास अपने नाम से कार्य करने की शक्ति होगी। (1)

यहाँ प्रकाशित सार्वजिन उपक्रम..... है।

(a) विभागीय उपक्रम

(c) वैधानिक निगम

(b) सरकारी कंपनी

(d) इनमें से कोई नहीं

The Government of India wants to establish a public enterprise which will be brought into existence by a special Act of the parliament. Its powers and functions, rules and regulations governing its employees and its relationship with government departments will be defined by the Act. It will be considered as a corporate body having the capacity of acting in its own name.

The public enterprise highlighted here is_____

(a) Departmental Undertaking

(b) Government Company

(c) Statutory Corporation

(d) None of the above

3. इस खाते से निकासी की राशि के साथ-साथ एक निश्चित अवधि में बार बार निकासी के संबंध में कुछ प्रतिबंध हैं। (1)
यह .....है

(a) स्थाई जमा खाता

(b) चालू खाता

(c) आवर्ती जमा खाता

(d) बचत खाता

Withdrawals from this account have some restrictions in relation to the amount as well as number of times in a given period.

This is _____

(a) Fixed Deposit Account (b) Current Account

(d) Saving Account (c) Recurring Deposit Account.

4. समय-समय पर..... की लागत एवं प्रतिफल का मूल्यांकन करना आवश्यक है। ताकि पर्यावरण सुरक्षा हेतु प्रगतिशील कार्यवाही की जा सके। (1)

(a) प्रदूषण (b) प्रदूषक

(c) सिंगल यूज प्लास्टिक (d) प्रदूषण नियंत्रण कार्यक्रम

Periodic assessment of _____ in terms of costs and benefits so as to increase the progress with respect to environmental protection is required.

(a) Pollution (b) Pollutants

(c) Singe-use plastic (d) Pollution contol programmes

5. चित्र में दिखाए गए फुटकर विक्रेता की पहचान कीजिए। (1)

(a) सुपर बाजार (b) श्रृंखलाबद्ध दुकान

(c) विभागीय भण्डार (d) मॉल

Identify the type of retailer shown in the picture.

(a) Super market (b) Chain stores

(c) Departmental store (d) Mall

6. निम्नलिखित में से कौन-सा वैधानिक निगम नहीं है? (1)

(a) आरबीआई (b) एलआईसी

(c) एफसीआई (d) भारतीय रेल

Which of the following is not a statutory Corporation.

(a) RBI (b) LIC

(c) FCI (d) Indian Railways

7. .....व्यापार में व्यापारी अपने पास विभिन्न प्रकार के उत्पादों की थोड़ी-थोड़ी मात्रा रखता है। (1)

(a) खुदरा (b) आयात

(c) थोक (d) निर्यात

In_____trade, trader keeps small quantities of different products.

(a) Retail (b) Import

(c) Wholesale (d) Export

8. ए.टी.एम. का विस्तार कीजिए। (1)

(a) स्वचालित टेलर मशीन (b) स्वायतता टॉक मशीन

(c) निरंकुश टेलर मशीन (d) इनमें से कोई नहीं

Expand ATM.

(a) Automated teller machine (b) Autonomy talk machine

(c) Autocratic teller machine (d) None of these

9. थोक विक्रेता और उत्पादक के बीच फुटकर विक्रेता एक कड़ी का काम करता है। (1)

(a) उत्पादक (b) प्रबंधक

(c) ग्राहक (d) कर्मचारी

Retailer serves as a link between wholesaler and producer.

(a) Producer (b) Manager

(c) Consumers (d) Workers

10. कथन (i) : ई-कॉमर्स की तुलना में ई-व्यवसाय अधिक विस्तृत है। (1)
कथन (ii) : ई-व्यवसाय में भौतिक उपस्थिति आवश्यक है।

(a) कथन (i) और कथन (ii) दोनों सही हैं।

(b) कथन (i) और कथन (ii) दोनों गलत हैं।

(c) कथन (i) सही है लेकिन कथन (ii) गलत है।

(d) कथन (i) गलत है लेकिन कथन (ii) सही है।

Statement (i) : e-business is more elaborate than e-commerce.
Statement (ii) : In e-business physical presence is required.

(a) Statement (i) and Statement (ii) both are correct.

(b) Statement (i) and Statement (ii) both are incorrect.

(c) Statement (i) is correct but Statement (ii) is incorrect.

(d) Statement (i) is incorrect but Statement (ii) is correct.

11. .....व्यापार में माल पर कोई आयात शुल्क नहीं लगाया जाता। (1)

(a) आंतरिक (b) विदेशी

(d) पुन: निर्यात (c) अंतर्राष्ट्रीय

No import duty is levied on goods in _____ trade.

(a) Internal (b) Foreign

(c) International (d) Entrepot

12. मिलान कीजिए: (1)

	सामाजिक उत्तरदायित्व		प्रति
1.	पूंजी की सुरक्षा सुनिश्चित करना	(i)	उपभोक्ता
2.	बिक्री के बाद सेवाएँ	(ii)	मालिक
3.	रोजगार अवसर प्रदान करना।	(iii)	समुदाय

(a) 1- (i), 2-(ii), 3- (iii) (b) 1- (iii), 2- (i). 3-(ii)

(c) 1-(iii), 2-(ii), 3-(i) (d) 1- (ii), 2- (i), 3- (iii)

Match the following:

	Social responsibility		Towards
1.	To ensure safety of capital	(i)	Consumers
2.	To provide after sales services	(ii)	Owners
3.	To provide employment opportunities	(iii)	Community

(a) 1-(1), 2-(11), 3-(11) (b) 1- (i), 2-(i), 3-(ii)

(c) 1-(iii), 2-(ii), 3-(i) (d) 1- (ii), 2- (i), 3-(iii)

13. इस प्रकार के संगठन में पंजीकरण अनिवार्य है - (1)

(a) एकल स्वामित्व एकल (b) सहकारी समिति

(c) साझेदारी (d) संयुक्त हिंदू परिवार व्यवसाय

Registration is compulsory in this form of organisation

(a) sole proprietorship (b) Co-operative society

(c) partnership (d) Joint Hindu family business

14. एक भागीदार जो अपने नाम के उपयोग की अनुमति देता है लेकिन न तो पूंजी का योगदान करता है और न ही प्रबंधन में भाग लेता है.....कहलाता है। (1)

(a) सक्रिय भागीदार (b) निष्क्रिय साथी

(c) नाममात्र भागीदार (d) अवयस्क साथी

A partner who allows the use of his name but neither contributes capital nor participates in management is called_____

(a) active partner (b) sleeping partner

(c) nominal partner (d) minor partner

15. सार्वजनिक कंपनी बनाने के लिए मुख्य दस्तावेजों की पहचान करें। (1)

(a) पार्षद सीमा नियम (b) पार्षद अंतर्नियम

(c) प्रविवरण (d) उपरोक्त सभी

Identify the main document/s to form a public company-

(a) memorandum of association (b) article of association

(c) prospectus (d) all of the above

16. संयुक्त हिंदू परिवार व्यवसाय में सह समाशियों की .....होती है। (1)

(a) सीमित देयता (b) असीमित देयता

(c) ऋण के लिए कोई देयता नहीं (d) संयुक्त देयता

Co-parceners in joint Hindu family business have_____

(a) limited liability (b) unlimited liability

(c) no liability for debts (d) joint liability

17. निम्नलिखित में से कौन-सा कथन गलत है : (1)

(a) विश्व व्यापार संगठन का मुख्यालय अमेरिका में है।

b) विश्व व्यापार संगठन की स्थापना 1 जनवरी 1995 को हुई थी।

(c) भारत सरकार ने 1 जुलाई 2017 से GST लागू किया।

(d) अन्य देशों से माल आयात करने के लिए आयात लाइसेंस की आवश्यकता होती है।

Which of the following statement is incorrect:

(a) Headquarters of world trade organisation are in America.

(b) World trade organisation was established on 1 January 1995.

(c) Indian government implemented GST from 1 July 2017.

(d) Import licence is required to import goods from other countries.

18. .....वह प्रलेख जिनमें एक निर्यातक द्वारा लिखे बिल के भुगतान के लिए बैंक की गारंटी होती है। (1)

(a) बधक पत्र (b) साख पत्र

(c) जहाजी बिल्टी (d) विनिमय पत्र

The document containing the guarantee of a bank to honour drafts drawn on it by an exporter is called_____.

(a) letter of hypothetication (b) letter of credit

(c) bill of lading (d) bill of exchange

19. निम्नलिखित में से कौन-सा कथन गलत है : (1)

(a) अंतर्राष्ट्रीय व्यापार विदेशी मुद्रा अर्जित करने में मदद करता है।

(b) अंतर्राष्ट्रीय व्यापार अन्य देशों के साथ अच्छे संबंध बनाने में मदद करता है।।

(c) अंतर्राष्ट्रीय व्यापार में जोखिम नहीं होता है।

(d) अंतर्राष्ट्रीय व्यापार जीवन स्तर में सुधार करने में मदद करता है।

Which of the following statement is incorrect:

(a) international trade helps in earning foreign exchange.

(b) international trade helps in building good relations with other countries

(c) there is no risk in international trade.

(d) international trade helps in improving standard of living.

20. निर्यात प्रक्रिया में शामिल चरणों को उचित क्रम में व्यवस्थित करें: (1)

(1) पूछताछ और कोटेशन भेजना।

(ii) इंडेंट की प्राप्ति ।

(iii) भुगतान के लिए गारंटी सुरक्षित करना।

(iv) निर्यात लाइसेंस प्राप्त करना ।

(a) (i), (ii), (iii), (iv) (b) (iv), (iii), (ii), (i)

(c) (iv), (iii), (i), (ii) (d) (i), (iii), (iv), (ii)

Arrange the steps involved in export procedure in proper sequence:

(i) receipt of enquiry and sending quotations.

(ii) receipt of indent

(iii) securing guarantee for payments

(iv) obtaining export licence

(a) (i), (ii), (iii), (iv) (b) (iv), (ii), (ii), (i)

(c) (iv), (iii), (i), (ii) (d) (i), (iii), (iv), (ii)

21. "ये उद्योग अन्य उद्योगों को सहायक सेवाएं प्रदान करने से संबंधित हैं। इन्हें भी वाणिज्य का हिस्सा माना जाता है।" उपरोक्त पंक्तियों में उल्लिखित उद्योग के प्रकार को पहचाने और उपयुक्त उदाहरण के साथ समझाए। (3)

"These industries are concerned with providing support services to othe industries. These are also considered part of commerce."

Identify and explain the type of industry mentioned in the above quoted lines with suitable example.

22. निरंजन लिमिटेड भारत में 1995 से एक प्रमुख दवा कंपनी है। यह उचित पर विश्वसनीय दवाओं के लिए जाना जाता है। यह हमेशा पूरे वर्ष दवाओं की नियमित आपूर्ति सुनिश्चित करता है। इसके अलावा, यह ईमानदारी से

समय पर अपने करों का भुगतान करता है और सरकार द्वारा निर्धारित नियमों का पूरी तरह से पालन करता है। मूल्य उपर्युक्त परिच्छेद में निरंजन लिमिटेड किन हित समूहों के प्रति सामाजिक उत्तरदायित्वों का निर्वाह कर रही है? पंक्तियों को उद्धृत करके बताएं। (3)

Niranjan Ltd. is a leading pharmaceutical company since 1995 in India. It is known for reliable medicines at reasonable prices. It always ensures a steady supply of medicines throughout the year. Apart from it, it pays its taxes honestly in time and fully abides by the rules laid down by government.

In above-mentioned paragraph, Niranjan Ltd. is fulfilling social responsibility towards which interest groups? State by quoting lines.

23. समता शेयर पूंजी को 'स्थायी और जोखिम पूंजी' कहा जाता है। क्या आप सहमत हैं? अपने उत्तर के समर्थन में कोई दो कारण दीजिए। (3)

Equity share capital is termed as 'permanent and risk capital'. Do you agree? Give two reasons in support of your answer.

अथवा / OR

वित्त के स्रोत के रूप में सार्वजनिक जमाओं की व्याख्या करें।

Explain public deposits as a source of finance.

24. भारत में लघु व्यवसाय की भूमिका बताइए। (3)

State the role of small scale business in India.

अथवा / OR

बौद्धिक संपदा अधिकारों की अवधारणा बताएं।

State the concept of intellectual property rights.

25. व्यवसाय के किन्हीं चार आर्थिक उद्देश्यों की संक्षेप में व्याख्या कीजिए। (4)

Briefly explain economic objectives of business.

अथवा / OR

निम्नलिखित आर्थिक गतिविधियों को पहचानें और समझाएं :

(a) सेवा इनका मुख्य प्रयोजन है, फीस सेवाओं के बदले प्रतिफल है।

(b) कोई पूंजी की आवश्यकता नहीं है, वेतन प्रतिफल है।

Identify and explain the following economic activities:

(a) Service motive is main motive, fees is the return for services.

(b) No capital is required, salary is the return.

26. विभागीय उपक्रमों के किन्हीं चार गुणों की व्याख्या कीजिए। (4).

Explain any four merits of departmental undertakings.

अथवा / OR

वैश्विक उद्यमों की किन्हीं चार विशेषताओं की व्याख्या करें।

Explain any four characteristics of global enterprises.

27. धीरू भाई चौरसिया टेक्सटाइल का व्यवसाय करते हैं। उनका परिवार संयुक्त है और उनके पास काफी पैतृक संपति है। परिवार सभी 15 सदस्य इस व्यवसाय का हिस्सा हैं। वह परिवार का ज्येष्ठ पुरुष सदस्य है इसलिए वह व्यवसाय का मुखिया है। (4)

वह व्यवसाय के सभी लेनदारों के प्रति उत्तरदायी होता है क्योंकि वह निर्णयकता होता है। धीरूभाई के पोते का अभी कुछ दिन पहले ही जन्म हुआ है और वो व्यवसाय का सदस्य है।

(a) धीरूभाई चौरसिया किस प्रकार का व्यवसाय करते हैं?

(b) दी गई जानकारी के आधार पर इस प्रकार के व्यवसाय की विशेषताओं को पहचाने और बताएं।

Dhirubhai Chaurasiya operates a textile business. His family is joint and has a lot of ancestral property. All the 15 family members are a part of this business.

He is the eldest male member in the family so he heads the business. He is liable to all the creditors of the business as he is the decision maker. Dhirubhai's grandson has just born a few days ago and he is also the member of the business.

(a) Which form of business is being undertaken by Dhirubhai Chaurasiya?

(b) Identify and state the features of this form of business based on the information given.

28. राष्ट्रीय लघु उद्योग निगम (एनएसआईसी) पर एक टिप्पणी लिखिए। (4)

Write a note on National Small Industries Corporation (NSIC).

29. श्री दीपक जैन "कमल स्टोर प्राइवेट लिमिटेड" के महाप्रबंधक हैं। वह कंपनी को कुछ गतिविधियों का निष्पादन इंटरनेट पर करता है, अर्थात् माल के बारे में जानकारी प्राप्त करना, ऑर्डर जारी करना, डिलीवरी लेना और भुगतान करना आदि। उनकी पत्नी श्रीमती सरला इंटरनेट पर कंपनी के उत्पादन, स्टॉक प्रबंधन, मानव संसाधन आदि से संबंधित गतिविधियों को करने में मदद करती है। इंटरनेट की मदद से बिजनेस करने के फायदे बढ़ते मुनाफे में साफ नजर आ रहे हैं। श्री जैन द्वारा अपनी कंपनी में अपनाई जा रही व्यवसाय की उभरती पद्धति को पहचाने और समझाए। (4)

Mr. Deepak Jain is the General Manager of Kamal Store Pvt. Ltd. He performs some of the activities of the company on internet, namely, getting information about the goods, issuing orders, taking delivery and making payments etc. His wife, Mrs. Sarla helps in performing the activities related to production, stock management, human resources, etc. of the company on Internet. Benefits of doing business with the help of internet are clearly visible in increasing profits. Identify and explain the emerging mode of business being adopted by Mr. Jain in his company.

30. अपर्णा लिमिटेड पुरुषों के लिए सूती शर्ट बनाती है। यह दूसरे शहर में एक और इकाई खोलकर अपने कारोबार का विस्तार करने की योजना बना रही है। इसने लगातार अच्छा मुनाफा कमाया है इसलिए मुनाफे के पर्याप्त भंडार हैं। पूंजी बाजार में मंदी की स्थिति के कारण प्रतिभूतियों के निर्गम के माध्यम से धन जुटाना भी कठिन प्रतीत होता है। उपयुक्त कारणों के साथ कंपनी के लिए वित्त का सबसे उपयुक्त स्रोत बताएं। (4)

Aparna Ltd. is manufacturing cotton shirts for men. It is planning to expand its business by opening one more unit in another city. It has been consistently earning good profits so there are sufficient reserves of profits. Due to recessionary conditions in capital market, it also seems difficult to raise funds through issue of securities. State the most appropriate source of finance for the company with suitable reasons.

31. एक बार जब बीमित व्यक्ति को उसके द्वारा बीमित संपत्ति के नुकसान या क्षति के लिए मुआवजा दिया जाता है, तो ऐसी संपत्ति के स्वामित्व का अधिकार स्वतः रूप से बीमाकर्ता के पास चला जाता है। नष्ट हुई संपत्ति को बेचकर बीमाधारक लाभ नहीं कमा सकता है।

ऊपर उल्लिखित बी के सिद्धांत को पहचाने और समझाए। सीमा के कोई अन्य चार सिद्धांत भी समझाए। (6)

Once the insured is compensated for the loss or damage to the property insured by him/her, the right of ownership of such property automatically passes to the insurer. Insured can not make profit by selling the destroyed property.

Identify and explain the principle of insurance mentioned above. Also explain any four other principles of insurance.

अथवा / OR

प्रत्येक व्यवसाय बाहरी लोगों को से कई पत्र, बाजार रिपोर्ट, धनादेश आदि डाक द्वारा भेजता एवं प्राप्त करता है।

उस सेवा का नाम बताइए जिसके द्वारा प्रत्येक व्यवसाय यह कार्य करता है। इस सेवा । द्वारा प्रदान की जाने वाली किन्हीं पाँच सुविधाओं की व्याख्या कीजिए

"Every business sends and receives from outsiders several letters, market reports, money order etc. by post. "

Name the service by which every business performs this work. Explain any five facilities provided by this service.

32. डिपार्टमेंटल स्टोर्स के किन्हीं चार गुणों की व्याख्या कीजिए। (6)

Explain any four merits of departmental stores.

अथवा / OR

श्रृंखला भंडार की किन्हीं चार सीमाओं की व्याख्या करें।

Explain any four limitations of chain stores.

33. 'फास्ट मोटर्स' परिष्कृत क्रेनों का निर्माता है। कंपनी के उत्पादन प्रबंधक ने मुख्य कार्यकारी अधिकारी, आशीष जैन को बताया कि परिष्कृत क्रेन के निर्माण में उपयोग की जाने वाली मशीनों में से एक को बाजार में प्रतिस्पर्धा करने के लिए बदलना पड़ेगा, क्योंकि अन्य प्रतियोगी क्रेन के निर्माण के लिए स्वचालित मशीनों का उपयोग कर रहे हैं। एक विस्तृत विश्लेषण के बाद नवीनतम तकनीक वाली एक नई स्वचालित मशीन खरीदने का निर्णय लिया गया। यह भी निर्णय लिया गया था कि इस मशीन को जनता से ऋण राशि के माध्यम से वित्तपोषित किया जाए क्योंकि कंपनी के पास अभी प्रतिफल और मूल राशि भुगतान करने के लिए नकदी का प्रवाह स्थिर है। फास्ट मोटर्स को वित्त के उपयुक्त स्रोत का सुझाव दें एवं उस स्रोत के पांच गुणों का वर्णन करें। (6)

'Fast Motors' is the manufacturer of sophisticated cranes. The Production manager of the company, reported to the Chief Executive Officer, Ashish Jain that one of the machines used in manufacturing sophisticated cranes has to be replaced to compete in the market, as other competitors are using automatic machines for manufacturing cranes. After a detailed analysis, it was decided to purchase a new automatic machine having the latest technology. It was also decided to finance this machine through borrowed funds from public as company has steady inflow of cash for paying returns now and principal amount. Suggest a suitable long term source of finance to Fast Motors alongwith explanation of five merits of the source.

34. 'बचपन लिमिटेड' बच्चों के कपड़े का उत्पादन करती है। कंपनी यूनाइटेड किंगडम (यू.के.) में अपना माल बेचने की सोचती है। कंपनी का मार्केटिंग सेक्शन इतना अच्छा नहीं है लेकिन उत्पादन पक्ष मजबूत है। 'बचपन लिमिटेड' ब्रिटेन की एक कंपनी 'डेमो लिमिटेड' से मिली जिसका मार्केटिंग पक्ष बहुत मजबूत है। दोनों कंपनियों ने आपस में एक समझौता किया कि पहले देश की कंपनी माल का निर्माण करेगी और उन्हें डेमो लिमिटेड को भेजेगी। माल बेचने का काम डेमो लिमिटेड द्वारा किया जाएगा। इस प्रकार के व्यवसाय को हम क्या कहते हैं? संक्षेप में इसका अर्थ और फर्म को होने वाले कोई चार लाभ लिखें। (6)

'Bachpan Ltd. produces kids wear. The company thought of selling its goods in United Kingdom (U.K.) Marketing section of the company is not so good but the production side is strong. Bachpan Ltd.' met a U.K. based company Demo Ltd. whose marketing side is very strong. Both the companies have an agreement made between themselves that the company of first country will manufacture goods and send them to Demo Ltd. The job of selling goods will be done by Demo Ltd. What do we call such type of business? Write briefly its meaning and any four benefits to firm.

MARKING SCHEME
COMMON ANNUAL SCHOOL EXAMINATION (2022-23)
CLASS: XI
SUBJECT: BUSINESS STUDIES (054)

Time Allowed: 3 hours Maximum Marks: 80

समय: 3 घंटे

अधकितम अंक : 80

1. (c) Dealings in goods and services on a regular basis (1)

2. (c) Statutory Corporation (1)

3. (d) Saving Account (1)

4 (d) Pollution contol programmes (1)

5. (b) Chain stores (1)

6. (d) Indian Railways (1)

7. (a) Retail (1)

8. (a) Automated teller machine (1)

9. (6) Consumers (1)

10. (e) Statement (i) is correct but Statement (ii) is incorrect. (1)

11. (a) Internal (1)

12. (d) 1-(ii), 2-(1) 3-(iii) (1)

13. (b) co-operative society (1)

14. (c) nominal partner (1)

15. (d) all of the above (1)

16. (a) limited liability (1)

17. (a) Headquarters of world trade organisation is in Switzerland America (1)

18. (b) letter of credit (1)

19. (c) there is no risk in international trade. (1)

20 (a) (i), (ii), (iii), (iv) (1)

21. Tertiary Industries (1)

Suitable Meaning (1)

Suitable Example (1)

22. (a) Towards Consumers. (3)

"It is known for..... the year." (

(b) Towards Government

"Apart from it..... government."

23. Yes

Any two suitable reasons (3)

OR

Any suitable explanation

24. Any suitable explanation (3)

OR

Any suitable explanation

25. 1. Market standing

2. Innovation

3 Earning Profits

Physical and financial resources. (4)

(½ mark for each correct heading + ½ mark for each correct explanation)

OR

(a) Profession 1

(suitable explanation 1

(b) Employment 1

(suitable explanation) 1

26. 1. Effective control.

2. Public accountability

3. Source of income for government

4. Direct control and supervision of Ministry.

[with suitable explanation of each] (4)

OR

1. High capital resources

2. Foreign collaboration.

3 Advanced Technology

4 Product innovation (4)

(½ mark for each correct heading + % mark for each correct explanation)

27. (a) Joint Hindu family business (1)

(b) 1. Formation

2. Control

3. Minor members (3)

(½ mark for each correct heading + ½ mark for each correct explanation)

28. Suitable explanation of NSIC (4)

29. e-business 1

(suitable explanation) (4)

30. Retained earnings 1

Suitable reasons.

1. Good financial position of company in terms of reserves.

2. Recessionary trend in capital market

(½ mark for each correct point with suitable explanation)

31. 1 Principle of subrogation 1

(suitable explanation) 1

Any other four principles. (1x4)

(½ mark for each correct principle's name and ½ mark for each correct explanation) (6)

OR

Postal Service 1

Five such facilities-

1. Courier

2 Speed Post

3. Parcel

4. Registered

5 Mail

(½ mark for each correct heading + (1x5=5)

(½ mark or each correct explanation.) (6)

32. 1. Attract large no. of customers

2 Attractive Services

3. Economy of large scale operations

4. Convenience in buying

5 Promotion of Sales

(Any four with explanation½ mark for each correct heading + 1 mark for each correct explanation) (6)

OR

1. Limited selection of Goods.

2. Lack of initiative

3. Lack of personal touch

4. Difficult to change demand. (6)

(½ mark for each correct heading + 1 mark for each correct explanation)

33. Debentures 1

Merits
1. No dilution of control

2. Interest is tax deductible item

3. Do not participate in profits

4. Suitable when earnings are stable. (as in this case) (1x5=5)

5. Fixed income at lesser risk.

(½ mark for each heading + ½ mark for each correct explanation) (6)

34. International business/trade 1

Suitable meaning 1

Merits

1. Prospects for higher profits

2. Increased Capacity utilisation

3. Prospects for growth.

4. Improved business (1x4=4)

(½ mark for each heading + ½ mark for each correct explanation) (6)

Notes

Notes

Notes

Notes