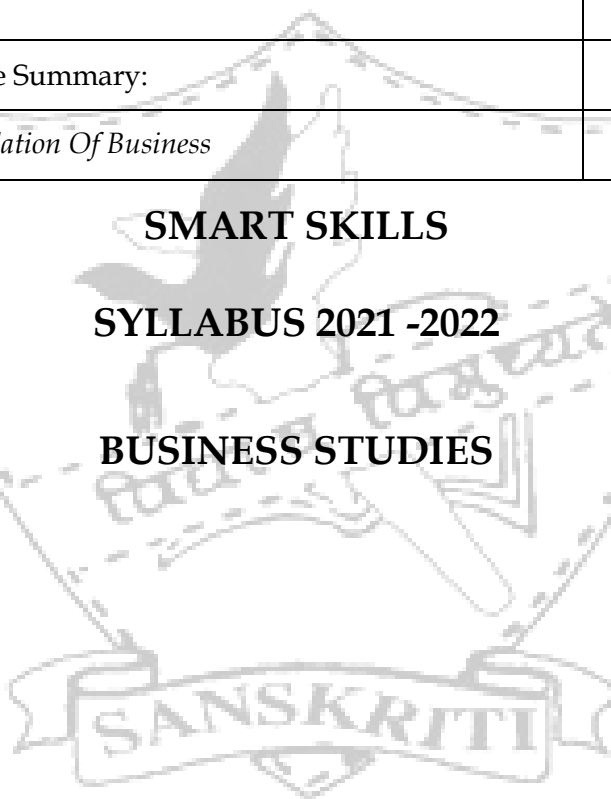


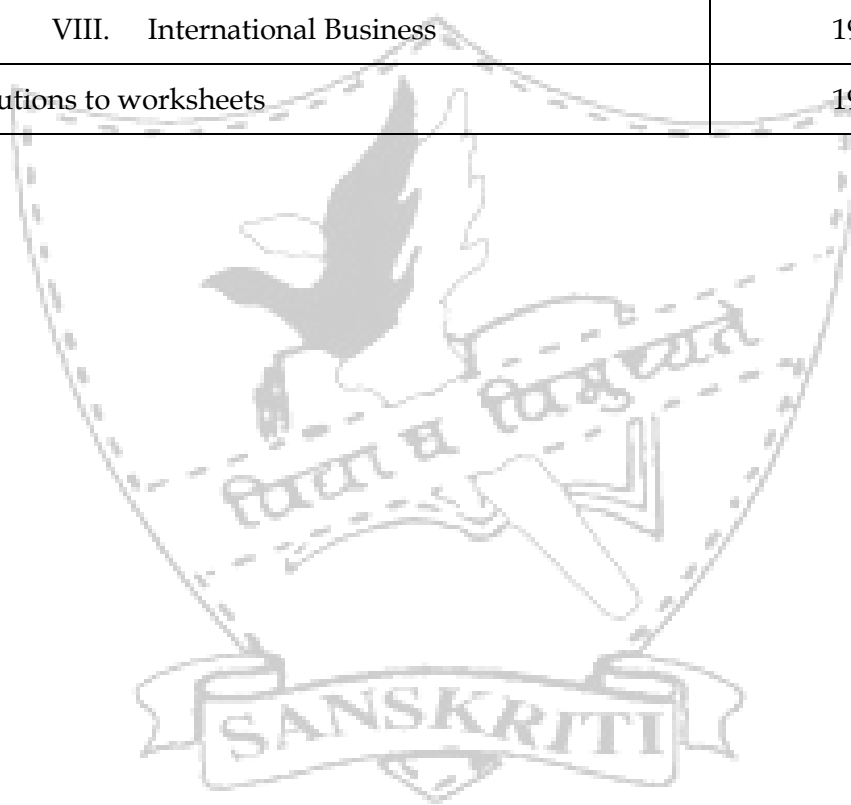
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SYLLABUS 2021 -2022
BUSINESS STUDIES



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Academic Session 2020-21- Subject: Business Studies- Class XI Syllabus for Annual Examination

S.NO	NAME OF CHAPTER	MARKS
1)	Nature and Purpose of Business	16
2)	Forms of Business Organization	
3)	Private, Public and Global Enterprises	14
4)	Business Services	
5)	Emerging Modes of Business	10
6)	Social Responsibility of Business And Business Ethics	
7)	Sources Of Business Finance	20
8)	Small Business and Enterprises	
9)	Internal Trade	20
10)	International Business	
	Total Marks allocate for Written Paper	80 Marks
	Project Work	20 Marks
	Total	100 Marks

Design of the Question Paper for Annual Examination
Chapter Wise and Question Wise Division of Marks

S.No	Particulars	Total Marks				
1.	Marks for Each Question	1 Mark	3 Mark	4 Mark	6 Mark	
2.	Number of Questions in Theory Paper	20	4	6	4	34 Ques
	Total Marks allocate for Written Paper	20	12	24	24	80 Marks

GUIDELINES FOR THE 80 MARK THEORY PAPER

- In the **reading time** allotted don't try to read or solve all the questions. Read the question paper carefully and check out the marks assigned to each question. Plan and organize your answers in your mind. Utilize this time to **choose the 6 mark questions** that you would like to attempt very carefully since internal choice is only provided in all 6 marks questions and not in 1, 3, 4 and 6 markers.
- **Do not change the order of questions.**
 - Either start answering from question 1 and go to question 34 or start from question 34 and move to question 1. Take practice papers to find out what works for you.
 - In case you are not sure about any answer, leave adequate space for it and attempt it later.
- Always **write your answers in points.**
 - Best way to highlight is to leave a line after the heading or write the heading in caps.
 - Usually all answers are to be written according to the marks For example, for 3 marks write 3 points with explanation. But wherever there isn't any explanation asked or is not given in the book write double the number of points to be on the safer side.
 - In every point ideally the heading should be given and explained and its relation with the question asked should be written. For eg: importance of business:
 - Explain the meaning of the term 'Business'
 - Then give its importance.
 - Though word limit is not to be adhered very strictly yet writing unnecessarily long answers because you know it well, will only waste your time and not give any extra marks.
- Explanation of each point should not be more than 3 sentences (Where the number of points to be given are specifically mentioned in the question, give only that many)
- Try to write headings given in N.C.E.R.T or as given by teacher.
- Attempt all questions. (Write and explain whatever you know rather than leaving question completely)
- Leave time for revision.
- Give examples whenever possible.
- Read the questions thoroughly before answering. Leave the questions you are unsure about for the end.
- Business studies is a scoring subject, but you have to **stress on presentation**;
- Try to write answers in points rather than writing long paragraphs
- Underline important parts and headings of answers or use highlighter or black pen (do it simultaneously while writing answers)-Do not leave this for end
- Do write question number clearly and strictly tallying with the question paper.

➤ **Terms or words in questions and how to answer them:**

- If the question has a statement or an extract, or a particular situation is given, start the answer from the extract given in the question for clarity.
 - Eg: question: "A business does not need to be socially responsible" Explain any three reason in support of this statement.(3 Marks)
 - Ans: A business does not need to be socially responsible. Three reason in support of this statement are: (Write 3 points with explanation)
- In question where process or steps are asked , write all points whether it is for 3, 4, or 6 marks (explanation varies according to marks). If the question asks for steps in a process, you lose marks if you do not write the steps in an order.
- For questions that ask 'Do you agree or disagree'
 - E.g. "Partnership is the best form of business organization" Do you agree? Give three reasons in support of your answer.(4 Marks)
 - **Start answer with your view** Ans: Yes, I agree that Partnership is the best form of business organization. The reasons are : (Write 4 points with explanation)
- If possible give the diagrammatic representation of answer .Example: types of Industries etc.
- In a question with words like 'Enumerate', 'Outline', 'State' or 'List', write explanatory points (complete sentence should be given regarding points)
- Elaborate/ explain/ describe mean the same thing
- Justify/ comment/give your opinion is the same. Here, you have to give two points of view with a conclusion. If conclusion is not given, your answer will be said to be incomplete.
- List/ enumerate are same. State means one line to explain
- 'Distinguish between' should always be tabulated. Basis of difference should also be given. If for one basis, one part is correct while the other is incorrect or not related to the other side or is not done, then no marks for the correct part will be awarded.

HOW TO STUDY BUSINESS STUDIES

- Firstly, understand the topics and then start learning the points. Try explaining the points to yourself or someone else to see if you have understood it correctly.
- Once a topic is understood, then learn the points. Prepare your own point notes or you can use the one given in your smart skills.
- Once you have learnt a chapter, revise the point headings every week by reading it aloud to yourself.
- Learning happens when the mind is completely fresh and alert. So choose a time of the day when your mind is fresh.
- Some students find it easy to learn theory while taking a break from numerical subjects like Mathematics and Accountancy.
- If something is distracting you frequently, it is better to acknowledge the disturbance and think about the particular issue before you again start concentrating.
- You have to discipline your mind, and it does not happen in a day or two. It requires persistent effort and practice.

- A thorough base makes it easier to assimilate information. Jumping immediately to processes and applications just because they carry more marks may not be fruitful if you are confused about basic concepts.
- **Remember** that success has to be backed by hard work and perseverance. You may forget, but every time you read and answer again, it only gets re-enforced in your mind and things begin to fall in place on their own when you enter the examination hall. Also Business Studies is a subject where sometimes simple common sense can make up for a temporary memory lapse. So trust your ability to think sensibly and do not lose heart.

Exam is a life Skill, Learn it and enjoy it. ALL THE BEST



General Learning Objectives of Business Studies Class XI:

- ✓ To develop in students an understanding of the processes of business and its environment;
 - ✓ To acquaint students with the dynamic nature and inter-dependent aspects of business;
 - ✓ To develop an interest in the theory and practice of business, trade and industry;
 - ✓ To familiarize students with theoretical foundations of organizing, managing and handling operations 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 prepare students to function more effectively and responsibly as consumers, employers, employees and citizens;
 - ✓ To help students in making the transition from school to the world of work including self-employment;
 - ✓ To develop in students a business attitude and skills to be precise and articulate.
-
- ✓ Methodology:

- Topics will be discussed in class.
- Required notes and tables will be used to make the learning and understanding of the topics easy for the students.
- A worksheet covering the topics will be given to students for recapitulation.
- A handout to cover topics not given adequately in the text will be given wherever required.
- A monthly class test will be given to assess learning of students.
- Two chapters will be done by way of PPTs and projects prepared by students and presented in class.

Part A: Foundation of Business

Topic : Unit 1: Evolution and fundamentals of Business

- History of Trade and Commerce in India: Indigenous Banking System, Rise of Intermediaries, Transport, Trading Communities: Merchant Corporations, Major Trade Centres, Major Imports and Exports, Position of Indian Sub-Continent in the World Economy.
- Business – meaning and characteristics
- Business, profession and employment: Concept
- Objectives of business
- Classification of business activities - Industry and Commerce
- Industry-types: primary, secondary, tertiary Meaning and subgroups
- Commerce-trade: (types-internal, external; wholesale and retail) and auxiliaries to trade; (banking, insurance, transportation, warehousing, communication, and advertising) – meaning
- Business risk-Concept

Unit 2: Forms of Business Organisations

- Sole Proprietorship-Concept, merits and limitations.
- Partnership - Concept, types, merits and limitation of partnership, registration of a partnership firm, partnership deed. Types of partners Partnership vs. Limited Liability Partnership (LLP)
- Hindu Undivided Family Business: Concept
- Cooperative Societies-Concept, merits, and limitations.
- Company - Concept, merits and limitations; Types: Private, Public and One Person Company – Concept Private Company vs. Limited Liability Partnership (LLP)
- Formation of company - stages, important documents to be used in formation of a company
- Choice of form of business organization

Unit 3: Private, Public & Global Enterprises

- Private sector and public sector enterprises.
- Forms of public sector enterprises: features, merits and limitations of departmental undertakings, statutory corporation and Government Company.
- Global enterprises, Joint ventures, Public Private Partnership – features.

Unit 4: Business Services

- Banking: types of bank accounts- savings, current, recurring, fixed deposit and multiple option deposit accounts.
- Banking services with particular reference to Bank Draft, Bank Overdraft, Cash credit. E-Banking meaning, Types of digital payments.
- Postal Service - Mail, Registered Post, Parcel, Speed Post, Courier - meaning.
- Insurance: principles, concept of life, health, fire and marine insurance

Unit 5: Emerging Modes of Business

- E-Business - scope and benefits.
- Distinguish e-business and traditional business.
- Outsourcing-concept, need and scope of BPO (business process outsourcing) and KPO (knowledge process outsourcing)

Unit 6: Social Responsibility of Business and Business Ethics

- Concept of social responsibility. Case for social responsibility;
- Responsibility towards owners, investors, employees, consumers, government and community
- Environmental protection and business
- Business ethics: concept and elements

Part B: Finance and Trade**Unit 7: Sources of Business Finance (Periods 28)**

- Concept of business finance.
- Owner's funds - equity shares, preference shares, GDR, ADR & IDR and retained earnings.
- Borrowed funds- debentures and bonds, loan from financial institutions, loans from commercial banks, public deposits, trade credit, ICD (inter corporate deposits).

Unit 9: Small Business and Enterprises: (Periods 14)

- Entrepreneurship Development (ED): Concept, Characteristics and Need: Process Entrepreneurship Development: Start-up India Scheme, Ways to fund start-up
- Intellectual Property Rights and Entrepreneurship
- Small scale enterprise as defined by MSMED Act 2006 (Micro , Small and Medium Enterprise Development Act)
- Role of small business in India with special reference to Rural Areas.
- Government schemes and agencies for small scale industries: NSIC (National Small industries Corporation) and DIC (District Industrial Center) with special reference to rural & backward areas.

Unit 10: Internal Trade

- Internal trade-meaning and types of services by a wholesaler and a retailer.
- GST (Goods and Services Tax): Concept and key features
- Types of retail trade- itinerant and small scale fixed shops.
- Large scale retailers- departmental stores, chain stores.

Unit 11: International Trade

- Meaning, difference between internal trade and external trade: Meaning and characteristics of international trade.
- Problems of international trade: Advantages and disadvantages of international trade
- Export Trade - Meaning, objective and procedure of Export Trade
- Import Trade - Meaning, objective and procedure: Meaning and functions of import trade; purpose and procedure.
- Documents involved in International Trade; documents involved in export trade, indent, letter of credit, shipping order, shipping bills, mate's receipt, bill of lading, certificate of origin, consular invoice, documentary bill of exchange (DA/DP), specimen, importance
- World Trade Organization (WTO) meaning and objectives

Project Work

The course in Business Studies is introduced at Senior School level to provide students with a sound 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. With the purpose to help them understand the framework within which a business operates, and its interaction with the social, economic, technological and legal environment, the CBSE has introduced Project Work in the Business Studies Syllabus for Classes XI and XII. The projects have been designed to allow students to appreciate that business is an integral component of society and help them develop an understanding of the social and ethical issues concerning them.

By means of Project Work the students are exposed to life beyond textbooks giving them opportunities to refer materials, gather information, analyse it further to obtain relevant information and decide what matter to keep.

OBJECTIVES

After doing the Project Work in Business Studies, the students will be able to do the following:

- ✓ Develop a practical approach by using modern technologies in the field of business and management;
- ✓ Get an opportunity for exposure to the operational environment in the field of Business management and related services;
- ✓ Inculcate important skills of team work, problem solving, time management,
- ✓ Information collection, processing, analysing and synthesizing relevant information to derive meaningful conclusions;
- ✓ Get involved in the process of research work;
- ✓ Demonstrate his or her capabilities while working independently and
- ✓ Make studies an enjoyable experience to cherish.

PRESENTATION AND SUBMISSION OF PROJECT REPORT.

At the end of the stipulated term, each student will prepare and submit his/her project report.

Following essentials are required to be fulfilled for its preparation and submission.

- The total project will be in a file format,
- The project will be handwritten.
- The project will be presented in a neat folder.
- The project report will be developed in the following sequence-
 - Cover page should project the title, student information, school and year.
 - List of contents.
 - Acknowledgements and preface (acknowledging the institution, the news papers read, T.V. channels viewed, places visited and persons who have helped).
 - Introduction.
 - Topic with suitable heading.
 - Planning and activities done during the project, if any.
 - Observations and findings while conducting the project.
 - Conclusions (summarized suggestions or findings, future scope of study).
 - Appendix (if needed).
 - Teachers report.

ASSESSMENT OF THE PROJECT

The marks will be allocated on the following heads.

PARAMETER	MARKS ALLOCATED
<ul style="list-style-type: none"> • Initiative, cooperativeness and participation • Creativity in presentation 	: 2 Mark

• Content, observation and research work	: 2 Mark
• Analysis of situations	: 4 Mark
• Viva	:4 Mark
	:8 Mark
TOTAL	: 20 Marks

PROJECTS FOR TERM I:**1. Project ONE: FIELD VISIT.**

- The objective of introducing this project among the students is to give a firsthand experience to them regarding the different types of business units operating in their surroundings, to observe their features and activities and relate them to the theoretical knowledge given in their text books.
- The students should select a place of field visit from the following: – (Add more as per local area availability.)
 1. Visit to a Handicraft unit.
 2. Visit to an Industry.
 3. Visit to a Whole sale market. (Vegetables, fruits, flowers, grains, garments.)
 4. Visit to a Departmental store.
 5. Visit to a Mall.
- The following points should be kept in mind while preparing this visit.
 - Select a suitable day free from rush/crowd with lean business hours..
 - The teacher must visit the place first and check out on logistics. It's better to seek permission from the concerned business- incharge.
 - Visit to be discussed with the students in advance. They should be encouraged to prepare a worksheet containing points of observation and reporting.
 - Students may carry their cameras (at their own risk) with prior permission for collecting evidence of their observations.

1. Visit to a Handicraft Unit.

- Purpose = To understand nature and scope of its business, stake holders involved and other aspects as outlined below
 - a) The raw material and the processes used in the business: People /parties/firms from which they obtain their raw material.
 - b) The market, the buyers, the middlemen, and the areas covered.
 - c) The countries to which exports are made.
 - d) Mode of payment to workers, purchasers etc.
 - e) Working conditions.

- f) Modernization of the process over a period of time.
- g) Facilities, security and training for the staff and workers.
- h) Subsidies available/ availed.
- i) Any other aspect that the teachers deem fit.

2. Visit to an Industry.

The students are required to observe the following:

- a) Nature of the business organisation.
- b) Determinants for location of business unit.
- c) Form of business enterprise: Sole Proprietorship, Partnership, Undivided Hindu Family, Joint Stock Company (a Multinational Company).
- d) Different stages of production/process
- e) Auxiliaries involved in the process.
- f) Workers employed method of wage payment, training programmes and facilities available.
- g) Social responsibilities discharged towards workers, investors, society, environment and government.
- h) Levels of management.
- i) Code of conduct for employers and employees.
- j) Capital structure employed- borrowed v/s owned.
- k) Quality control, recycling of defective goods.
- l) Subsidies available/availed.
- m) Safety Measures employed..
- n) Working conditions for labour in observation of Labour Laws.
- o) Storage of raw material and finished goods.
- p) Transport management for employees, raw material and finished goods.
- q) Functioning of various departments and coordination among them (Production, Human Resource, Finance and Marketing)
- r) Waste Management.
- s) Any other observation.

3. Visit to a whole sale market: vegetables/fruits/flowers/grains/garments etc.

The students are required to observe the following:

- a) Sources of merchandise.
- b) Local market practices.
- c) Any linked up businesses like transporters, packagers, money lenders, agents, etc.
- d) Nature of the goods dealt in.

- e) Types of buyers and sellers.
- f) Mode of the goods dispersed, minimum quantity sold, types of packaging employed.
- g) Factors determining the price fluctuations.
- h) Seasonal factors (if any) affecting the business.
- i) Weekly/ monthly non working days.
- j) Strikes, if any- causes thereof.
- k) Mode of payments.
- l) Wastage and disposal of dead stock.
- m) Nature of price fluctuations, reason thereof.
- n) Warehousing facilities available\availed.
- o) Any other aspect.

4. Visit to a Departmental store

The students are required to observe the following:

- a) Different departments and their lay out.
- b) Nature of products offered for sale
- c) Display of fresh arrivals.
- d) Promotional campaigns.
- e) Spaces and advertisements.
- f) Assistance by Sales Personnel.
- g) Billing counter at store – Cash, Credit Card/ Debit Card, swipe facility.
- h) Added attractions and facilities at the counter.
- i) Additional facilities offered to customers
- j) Any other relevant aspect.

5. Visit to a Mall.

The students are required to observe the following:

- a) Number of floors, shops occupied and unoccupied.
- b) Nature of shops, their ownership status
- c) Nature of goods dealt in: local brands, international brands,
- d) Service business shops- Spas, gym, saloons etc.
- e) Rented spaces, owned spaces,
- f) Different types of promotional schemes.
- g) Most visited shops.
- h) Special attractions of the Mall- Food court, Gaming zone or Cinema etc.
- i) Innovative facilities.

- j) Parking facilities.

II. Project TWO: AIDS TO TRADE- Insurance.

Gather information on the following aspects:

- History of Insurance Lloyd's contribution.
- Development of regulatory Mechanism.
- Insurance Companies in India
- Principles of Insurance.
- Types of Insurance. Importance of insurance to the businessmen.
- Benefits of crop, orchards, animal and poultry insurance to the farmers.
- Terminologies used (premium, face value, market value, maturity value, surrender value) and their meanings
- Anecdotes and interesting cases of insurance. Reference of films depicting people committing fraudulent acts with insurance companies.
- Careers in Insurance.

PROJECTS FOR TERM II:

• GENERAL GUIDELINES

- The project is to be done on **A4 size white inter-leaf sheets**.
- Please **avoid using colored sheets** except for the title pages.
- The project **MUST BE handwritten**. The total length of the projects will be at least 25-30 pages each. The projects should be presented in a neat folder.
- Students have to preserve the initial drafts of the project as well as any research papers that they may have used.
- Students have to be prepared to give a 3 minute presentation of the project in the class. For this, a summary(one page) of the project has to be prepared covering:
 - The objective statement
 - Their observations and findings
 - Any other learning from this exercise such as skills of team work, problem solving, time management, information collection, processing, analyzing and synthesizing relevant information to derive meaningful conclusions;
- The projects must be neat and well presented. No whiteners to be used or written matter to be crossed out. In case of any mistakes, redo the sheet.
- Do not number sheets or write dates unless so instructed by your teacher.

- Color graphs and pie charts (if it is relevant for any aspect of your project) to make them look attractive. These may be printed with prior permission of your subject teacher.
- Guidelines for assessment of Project

ASSESSMENT :ALLOCATION OF MARKS		
The Marks Will Be Allocated Under The Following Heads:		<u>Marks</u>
1)	Initiative, cooperativeness and participation	: 2
2)	Creativity in presentation	: 2
3)	Content, observation and research work	: 4
4)	Analysis of situations	: 4
5)	Viva	: 8
<u>TOTAL</u>		: 20

GUIDELINES FOR PRACTICALS

- Project draft has to be preserved and produced with your final file on the date of your viva.
- Project file must be reviewed by your teacher before **final submission on the day you come back to school after the winter break.**
- File must be prepared on the basis of the guidelines given.
- Your teacher will write her comments and stamp your project. So timely submission will ensure that your project will be corrected thoroughly and you will get adequate time to correct mistakes, if any.
- On the date of the practical examination,
 - You are required to come to school in your correct school uniform and present yourself for a viva.
- You can be asked any question about:
 - The topic you have selected,
 - The firm you have studied
 - Any question or specific principle that you have covered as a part of your project
 - Your findings and Learning's from the project.

OPTION 1: ELEMENTS OF MARKETING MANAGEMENT-**The Student is required to develop a market offering:**

- The students are required to do a simple market research with the objective of finding out a product /service whose marketing may be profitable. They can choose one from this list or any other. The identified product should not be items whose consumption /use is discouraged by the society and government like alcohol products/ pan masala and tobacco products, etc.
- Identify **one** product/service from the above which the students may like to manufacture/provide [pre assumption].
- The students are not to prepare their project on any existing brand. They need to create their own brand name etc.
- The list of products that the students can choose from is given in the following page:

Suggested List of Products that Student Can Choose From

1. Toothpaste	2. Noodles	3. Shampoo	4. Bathing soap
5. Washing detergent	6. Washing powder	7. Lipstick	8. Moisturizer
9. Shoe polish	10. Pen	11. Shoes	12. Hair dye
13. Mobile	14. Chocolate	15. Sauces/ketchup	16. Ready soups
17. Body spray	18. Fairness cream	19. Hair oil	20. Roasted Snacks
21. Jeans	22. Pickles	23. Squashes	24. Jams
25. Salt	26. Bread	27. Butter	28. Shaving cream
29. Razor	30. Cheese spreads	31. e -Wash	32. Tiffin wallah
33. Air Conditioners	34. Infant dress	35. Sunglasses	36. Fans
37. Fruit candy	38. Washing powder	39. Bathroom cleaner	40. Wipes
41. Shoe polish	42. Blanket	43. Baby Diapers	44. Hair dye
45. Adhesives	46. Refrigerator	47. Ladies footwear	48. Ready soups
49. RO system	50. Fairness cream	51. Mixers	52. Roasted Snacks
53. Learning Toys	54. Pickles	55. Microwave oven	56. Music player

57. Pencil	58. Eraser	59. Water bottle	60. Furniture
61. Newspaper	62. Nail polish	63. Pen drive	64. DTH
65. Car	66. Kurti	67. Cosmetology product	68. Cutlery
69. Breakfast cereal	70. Suitcase/airbag	71. Coffee	72. Wallet
73. Crayons	74. Jewellery	75. Water storage tank	76. Ladies bag
77. Saris	78. Cycle	79. Bike	80. Crockery
81. Camera	82. Invertors	83. Washing machine	84. Tea

Order of Presentation of the Elements of Marketing Management:

1. Cover page	8. Planning and activities done during the project
2. Title page	9. Observations and findings
3. Certificate of Authenticity	10. Conclusions
4. Index	11. Learning from project
5. Acknowledgements	12. Appendix
6. Preface	13. Teacher's Observations
7. Introduction	

1. Cover page

- Design an attractive cover

2. Title Page That Should State:

- Business Studies Project: Elements of Marketing Management**
- Name:
- School:
- Year:
- Roll No:

3. Certificate of Authenticity

- Print the Certificate

4. Index:

- Print the Index in the above order

5. Acknowledgements

I , _____, do hereby declare that this project is my original work and I would like to thank Ms _____, my Business Studies teacher, for her wholehearted support and guidance for making it possible to complete this project on time. I would also like to thank CBSE for giving us an opportunity to widen our knowledge base by introducing this topic of study and my school for giving us this subject option.

I would also like to thank my friends and family members for their kind support and guidance without which this project could not have been completed.

(Acknowledge the institutions, the places visited and the persons who have helped)

6. Preface - One page containing in a concise manner, the details about the entire project. Any person who wants to know about your project should be able to understand it on reading the Preface. You are required to give the following details:

- Name of Project: Element of Marketing Mix.
- Problem Statement / Objective Of Project:
 - ➔ The objective of the project is to develop a detailed marketing plan for introducing _____ and covering the aspects of Product, Price, Place and Promotion.
 - ➔ **Other objectives include:**
 - i. To identify our target market and find out their key needs.
 - ii. To find out the possibility of marketing a _____
 - iii. To conduct a market survey that will give an indication about whether the product that I have designed meets the needs of my target market.
 - iv. To help me get an idea about the price range at which I should offer my product.
 - v. To find out what channel of distribution I should use to distribute my product.
 - vi. To identify the similarities and differences between my products and customers and my competitors' products and customers?
 - vii. To understand when do customers buy? Are there seasonal factors?
 - viii. To find out what do customers buy? Can complimentary products or services be offered?
 - ix. To find out how do customers buy? Cash, credit, etc.?

- x. To understand why do customers buy? Convenience, price, quality, reputation, location, selection, brands, impulse, etc.?

7. Introduction

- Give the following information:
 1. Give in about 3 to 4 pages:
 - a. Why have you selected this project
 - b. What did you expect to find out
 - c. Give an introduction of Marketing
 - d. Give details about the 4 P's of marketing Mix.
 - e. Give some historical background of your product if possible.

8. Planning and Activities Done During the Project

- You need to give details here about what were the activities that you undertook to do your project. Such as
 1. How you decided on the topic and the product.
 2. Did you take interviews etc.
 3. How the analysis was done.
- Give them in a sequence.

9. Observations and Findings

- You need to analyze the responses and derive conclusions that will be the data for future decisions.
- This is to be done question wise for the questions given below.
- *For each question,*
 - i. *Give the definition of the topic in question in one para.*
 - ii. *In the next para, give your observations about how the organization that you are studying or will start has dealt with that aspect*

PRODUCT

1. Why have they selected this product/service?
2. Find out '5' competitive brands that exist in the market.
3. What permission and licenses' would be required to make the product?
4. What are your competitors Unique Selling Proposition.[U.S.P.]?

5. Does your product have any range give details?
6. What is the name of your product?
7. Enlist its features.
8. Draw the 'Label' of your product.
9. Draw a logo for your product.
10. Draft a tag line.
11. How will your product be packed?

PLACE

12. Which channel of distribution are you going to use? Give reasons for selection?
13. Decisions related to warehousing, state reasons.
14. What means of transport you will use and why?

PRICE

15. What is the selling price of your competitor's product?
 - (i) Selling price to consumer
 - (ii) Selling price to retailer
 - (iii) Selling price to wholesaler
16. What is the profit margin of competitor's in percentage to the
 - (i) Manufacturer.
 - (ii) Wholesaler.
 - (iii) Retailer.
17. What is going to be your selling price?
 - (i) To consumer
 - (ii) To retailer
 - (iii) To wholesaler
18. What cost effective techniques will you follow for your product. What cost effective techniques will you follow for your promotion plan.

PROMOTION

19. List 5 ways of promoting your product.

20. Any schemes for

(i) The wholesaler

(ii) The retailer

(iv) The consumer

21. What is going to be your 'U.S.P'?

22. Draft a social message for your product.

10. Conclusions

- Summarized suggestions or findings, future scope of study. Give this as a summary of your study for the topic studied specifying:
- The relevance of the topic in today's context.

11. Learning from the Project

Can be given as:

- How you have been able to relate the theory in your syllabus to its practical application.
- Anything else that you feel you have learnt about the real functioning of an organisation.
- Any other skills developed such as such as skills of team work, problem solving, time management, information collection, processing, analyzing and synthesizing relevant information to derive meaningful conclusions etc
- Also, answer the following:
 - Did you take advice from anyone or refer to any publication? Why?
 - Did you feel you needed to rework your strategies?
 - If you were to do this activity again, what would you do differently?

12. Appendix

- Persons/Firms Consulted
- Books Referred To, Including your Text Book
- Websites Referred to

13. Teachers Observations:

- Paste the Project Evaluation Performa

OPTION 2: ELEMENTS OF BUSINESS PRINCIPLES

They are required to observe the application of the 14 general Principles of management advocated by Fayol.

- These are Division of work, Unity of command, Unity of direction, Scalar chain, Esprit de corps, Fair remuneration to all, Order, Equity, Discipline, Subordination of individual interest to general interest, Initiative, Centralization and decentralization, Stability of tenure.

HOW TO GO ABOUT THE PROJECT:

1. The students are required to visit **any one** of the following:

- a. **A departmental store.**
- b. **An Industrial unit.**
- c. **A fast food outlet.**
- d. **Any other organisation approved by the teacher.**

2. **The observations could be on the basis of**

- The different stages of division of work resulting to specialisation.
- Following instructions and accountability of subordinates to higher authorities.
- Visibility of order and equity in the unit.
- Balance of authority and responsibility.
- Communication levels and pattern in the organisation.
- Methods and techniques followed by the organisation for unity of direction and coordination amongst all.
- Methods of wage payments followed.
- Any other principle identified in the organization

One-two page analysis of your observations with regard to all the above mentioned aspects about the firm must be included.

3. Photographic evidence of the student visiting the unit must be pasted.
4. Questionnaires and interview must be taken in the selected organization.
5. Minimum number of questionnaires to be filled is 15.

OPTION 3: ELEMENTS OF BUSINESS ENVIRONMENT**The Student Can Select Any One Element Of The Following:****1. *Changes witnessed over the last few years on mode of packaging and its economic impact.***

- a. The changes in transportation of fruits and vegetables such as cardboard crates being used in place of wooden crates, etc. Reasons for above changes.
- b. Milk being supplied in glass bottles, later in plastic bags and now in tetra pack and through vending machines.
- c. Plastic furniture [doors and stools] gaining preference over wooden furniture.
- d. The origin of cardboard and the various stages of changes and growth.
- e. Brown paper bags packing to recycled paper bags to plastic bags and cloth bags.
- f. Re use of packaging [bottles, jars and tins] to attract customers for their products.
- g. The concept of pyramid packaging for milk.
- h. Cost being borne by the consumer/manufacturer.
- i. Packaging used as means of advertisements.

2. *The reasons behind changes in the following:*

- Coca – Cola and Fanta in the seventies to Thums up and Campa Cola in the eighties to Pepsi and Coke in nineties.
- Start from the times when India sold Coca Cola and Fanta were being manufactured in India by the foreign companies.
- The students may be asked to enquire about
 - Reasons of stopping the manufacturing of the above mentioned drinks in India THEN.
 - The introduction of Thums up and Campa cola range.
 - Re entry of Coke and introduction of Pepsi in the Indian market.
 - Factors responsible for the change.
 - Other linkages with the above.
 - Leading brands and the company having the highest market share.

- Different local brands venturing in the Indian market.
- The rating of the above brands in the market.
- The survival and reasons of failure in competition with the international brands.
- Other observations made by the students

3. *Changing role of the women in the past 25 years relating to :*

- a. Joint families, nuclear families,
- b. Women as a bread earner of the family,
- c. What has the effect been on the types of goods and services?(Changes in the requirement trend of mixers, washing machines, micro wave and standard of living)
The students can take examples like:
 - i. Washing machines, micro waves, mixers and grinder.
 - ii. Need for crèche, day care centre for young and old.
 - iii. Ready to eat food, eating food outside, and Tiffin centres.
- d. Case Study: profiles of women employees, business persons and professionals – 1 each.
- e. Interview with at least two women (1-working and 1-non working) having different life experiences asking about her changing role. Photographic evidence should be attached.

4. *The changes in the pattern of import and export of different Products.*

- The students should identify a product of their city/country which needs to be imported /exported.
- They are required to find the details of the actual import/export procedure. They may take help from the Chambers of Commerce, Banker, existing Importers/Exporters, etc.
- They should find details of the procedure and link it with their text knowledge.
 - a. **The specimens of documents collected should be pasted in the Project file with brief description of each. They may also visit railway godowns/dockyards/ transport agencies and may collect pictures of the same.**

5. *A study on child labor laws, its implementation and consequences.*

- a. Child labor – industries that use child labor with reasons why they do so.
- b. NGOs working in this area and their contributions.
- c. To visit an NGO in Delhi or any other place who is working with child labourers. (Photographic evidence is a must).
- d. Role of Government in preventing the above
- e. Interview of a child labourer along with your photo with that child.
- f. This is to be followed by a study on child labor laws, its implementation and consequences
- g. One page suggestion about how to prevent child labour.

6. The state of 'anti plastic campaign,' the law, its effects and implementation.

- a. Origin of plastic
- b. Uses of plastic
- c. Reasons for opposing use of plastics and alternatives to plastic. (pasting photographs of the alternatives)
- d. Anti Plastics Campaigns in India and abroad
- e. Laws passed in India and abroad for the same
- f. Implementation of the act
- g. Effect of the act and its implementation
- h. One page suggestion as how to avoid using plastics.

7. What has the effect been on the types of goods and services? The students can take examples like:

- a. Washing machines, micro waves, mixers and grinder.
- b. Need for crèche, day care centre for young and old.
- c. Ready to eat food, eating food outside, and Tiffin centers'.

For the above, develop the project on the given line:

- Select product and give its history starting with its invention
- Name the leading manufacturers and give their profiles briefly
- Explain the reasons for the given product's popularity.

CONCLUSION:

If you are choosing any of the above mentioned projects on elements of business environment, conclusion should be written for the following points in different pages:

Economic Environment:

- Changes in disposable income of people
- Value of rupee
- Volume of imports and exports of different items

Political Environment:

- Prevailing political system
- Dominant ideologies, practices and values of major political parties
- Nature of relationship of our country with foreign countries

Legal Environment:

- Various laws in relation to the topic briefly

Technological environment:

- Scientific improvements
- Latest innovations

Social environment:

- Attitudes towards product innovations, lifestyles, occupational distribution and consumer preferences Concern with quality of life
- Life expectancy
- Expectations from the workforce
- Shifts in the presence of women in the workforce n Birth and death rates
- Population shifts n Educational system and literacy rates
- Consumption habits
- Composition of family

Order of Presentation of the Project on Business Environment:

1. Cover page	8. Planning and activities done during the project
2. Title page	9. Observations and findings
3. Certificate of Authenticity	10. Conclusions
4. Index	11. Learning from project
5. Acknowledgements	12. Appendix
6. Preface	13. Teacher's Observations
7. Introduction	

1. Cover page

- Design an attractive cover

2. Title Page That Should State:

- Business Studies Project: Elements of Marketing Management**
- Name:
- School:
- Year:
- Roll No:

3. Certificate of Authenticity

- Print the Certificate

4. Index:

- Print the Index in the above order

5. Acknowledgements

I , _____, do hereby declare that this project is my original work and I would like to thank Ms _____, my Business Studies teacher, for her wholehearted support and guidance for making it possible to complete this project on time. I would also like to thank CBSE for giving us an opportunity to widen our knowledge base by introducing this topic of study and my school for giving us this subject option.

I would also like to thank my friends and family members for their kind support and guidance without which this project could not have been completed.

(Acknowledge the institutions, the places visited and the persons who have helped)

6. **Preface** - One page containing in a concise manner, the details about the entire project. Any person who wants to know about your project should be able to understand it on reading the Preface. You are required to give the following details:

- Name of Project: Study of Business Environment: _____.
(Name your topic)
- Problem Statement / Objective Of Project:
 - The objective of the project is to study business environment with a special emphasis on _____ (Name your topic)
 - Specific objectives:
(as given in the general guidelines for Elements of Business Environment)

Your preface will depend on the topic you have chosen. For example, if your topic is Changes witnessed over the last few years on mode of packaging and its economic impact, then the Preface will be as follows.

- Name of Project: Study of Business Environment: Changes witnessed over the last few years on mode of packaging and its economic impact.
- Problem Statement / Objective of Project: The objective of the project is to study business environment with a special emphasis on *Changes witnessed over the last few years on mode of packaging and its economic impact*. Specific areas of study are:
 - The changes in transportation of fruits and vegetables such as cardboard crates being used in place of wooden crates, etc. Reasons for above changes.
 - Milk being supplied in glass bottles, later in plastic bags and now in tetra pack and through vending machines.
 - Plastic furniture [doors and stools] gaining preference over wooden furniture.
 - The origin of cardboard and the various stages of changes and growth.
 - Brown paper bags packing to recycled paper bags to plastic bags and cloth bags.
 - Re use of packaging [bottles, jars and tins] to attract customers for their products.
 - The concept of pyramid packaging for milk.
 - Cost being borne by the consumer/ manufacturer.
 - Packaging used as means of advertisements.

7. Introduction

- Give the following information in about 3 to 4 pages:
 - a. Why have you selected this project
 - b. What did you expect to find out
 - c. Give an introduction of Business Environment.
 - d. Give details about the aspect of Business environment you have studied.
 - Give a brief historical background of the of the topic studied
 - Give details about the organizations or institutions studied(if any)

8. Planning and Activities Done During the Project

- You need to give details here about what were the activities that you undertook to do your project. Such as
 - 1. How you decided on the topic and the product
 - 2. Did you take interviews etc
 - 3. How the analysis was done.
- Give them in a sequence.

9. Observations and Findings

- You need to analyze the responses and derive conclusions that will be the data for future decisions.
- Details about area to be covered in every topic are given in the general guidelines and your smart skills. You are required to proceed accordingly.
- If you have taken interviews or administered questionnaires, attach a copy of the interview and questionnaires.

10. Conclusions

- Summarized suggestions or findings, future scope of study.
- Give this as a summary of your study for the topic studied specifying:
 - The relevance of the topic in today's context
 - A summary of your findings in the order in which you have presented your project.

11. Learning from the Project

Can be given as:

- How you have been able to relate the theory in your syllabus to its practical application.
- Anything else that you feel you have learnt about the real functioning of an organization.
- Any other skills developed such as such as skills of team work, problem solving, time management, information collection, processing, analyzing and synthesizing relevant information to derive meaningful conclusions etc
- Also, answer the following:
 - Did you take advice from anyone or refer to any publication? Why?
 - Did you feel you needed to rework your strategies?
 - If you were to do this activity again, what would you do differently?

12. Appendix

- Persons/Firms Consulted
- Books Referred To, Including your Text Book
- Websites Referred to

13. Teachers Observations:

Paste the Project Evaluation Performa

OPTION 4: STOCK MARKET

The purpose of this project is to teach school students the values to investing and use the stock market. This project also teaches important lessons about the economy, mathematics and financial responsibility. The basis of this project is to learn about the stock market while investing a specified amount of fake money in certain stocks. Students then study the results and buy and sell as they see fit. This project will also guide the students and provide them with the supplies necessary to successfully monitor stock market trends and will teach students how to calculate profit and loss on stock.

The students will have to study the prices of companies in a particular Stock Exchange. They will also be required to identify and study the price movements of firms in that Stock Exchange for a period of 6 months.

The students are already exposed to the Stock Exchange under Globalization in the Economics Unit of Social Science Syllabus of class X. The Project Work will enable them to understand the topics 'Sources of Business Finance,' Unit 7 of Class XI and 'Capital Market,' Unit 10 of Class XII.

The project work will enable the students to:

- Understand the topics like sources of business finance and capital market
- Understand the concepts used in stock exchange
- Inculcate the habit of watching business channels, reading business journals/newspapers and seeking information from their elders.

The students are expected to:

- a. Develop a brief report on History of Stock Exchanges in India. (your country)
- b. Prepare a list of at least 25 companies listed on a Stock Exchange.
- c. To make an imaginary portfolio totalling a sum of Rs. 50,000 equally in any of the 5 companies of their choice listed above.
- d. The students may be required to report the prices of the stocks on daily basis and present it diagrammatically on the graph paper.**
- e. They will understand the weekly holidays and the holidays under the Negotiable Instruments Act. They will also come across with terms like closing prices, opening prices, etc.
- f. During this period of recording students are supposed to distinctively record the daily and starting and closing prices of the week other days under the negotiable instrument act so that they acquire knowledge about closing and opening prices.
- g. The students may conclude by identifying the causes in the fluctuations of prices. Normally it would be related to the front page news of the a business journal, for example,
 - a. Change of seasons.
 - b. Festivals.
 - c. Spread of epidemic.
 - d. Strikes and accidents
 - e. Natural and human disasters.
 - f. Political environment.
 - g. Lack in faith in the government policies.
 - h. Impact of changes in government policies for specific industry.
 - i. International events.

- j. Contract and treaties at the international scene.
 - k. Relations with the neighbouring countries.
 - l. Crisis in developed countries, etc.
- h. The students are expected to find the value of their investments and accordingly rearrange their portfolio.**
- i. The project work should cover the following aspects;**
- o **Graphical presentation** of the share prices of different companies on different dates.
 - o **News paper clippings** to reflect the changes of share prices must be attached to the project.
 - o **Change in market value of shares** due to
 - Change of seasons, festivals, natural and human disasters.
 - Change in political environment / policies of various countries / crisis in developed countries or any other reasons
 - o **Identify the top ten companies out of the 25 selected** on the basis of their market value of shares.
- j. It does not matter if they have made profits or losses.**

Unit 1: Nature and Purpose of Business

History of Trade and Commerce

The economic and commercial evolution of any land depends upon its physical environment. This stands true for the Indian subcontinent as a whole which has Himalayas in the North bordered by water in the South. A network of roads merging into the Silk Route helped in establishing commercial and political contacts with adjoining foreign kingdoms and empires of Asia, in particular, and the world, in general. The maritime routes linked the east and the west by sea and were used for the trade of spices and known as 'spice route'. Due to the flow of wealth through these routes, the chief kingdoms, important trade centres and the industrial belt flourished, which in turn further facilitated the progress of domestic and international trade in ancient India.

Trade and commerce have played a vital role in making India to evolve as a major actor in the economic world in ancient times. Archaeological evidences have shown that trade and commerce was the mainstay of the economy of ancient India carried out by water and land. Commercial cities like Harappa and Mohenjodaro were founded in the third millennium B.C. The civilisation had established commercial connections with Mesopotamia and traded in gold, silver, copper, coloured gemstones, beads, pearls, sea shells, terracotta pots, etc

1.1 Indigenous Banking System

As economic life progressed, metals began to supplement other commodities as money because of its durability and divisibility. As money served as a medium of exchange, the introduction of metallic money and its use accelerated economic activities.

Documents such as Hundi and Chitti were in use for carrying out transactions in which money passed from hand to hand. Hundi as an instrument of exchange, which was prominent in the subcontinent. It involved a contract which – (i) warrant the payment of money, the promise or order which is unconditional (ii) capable of change through transfer by valid negotiation.

Indigenous banking system played a prominent role in lending money and financing domestic and foreign trade with currency and letter of credit. With the development of banking, people began to deposit precious metals with lending individuals functioning as bankers or Seths, and money became an instrument for supplying the manufacturers with a means of producing more goods.

1.2.1 Rise of Intermediaries

Intermediaries played a prominent role in the promotion of trade. They provided considerable financial security to the manufacturers by assuming responsibility for the risks involved, especially in foreign trade. It comprised commission agents, brokers and distributors both for wholesale and retail goods.

Bankers began to act as trustees and executors of endowments. Foreign trade was financed by loans. However, the rate of interest for longer voyages was kept high in view of the huge risk involved. The emergence of credit transactions and availability of loans and advances enhanced commercial operations.

1.3 TRANSPORT

Transport by land and water was popular in the ancient times. Trade was maintained by both land and sea. Roads as a means of communication had assumed key importance in the entire process of growth, particularly of the inland trade and for trade over land. The northern roadway route is believed to have stretched originally from Bengal to Taxila. There were also trade routes in the south spreading east and west. Trade routes were structurally wide and suitable for speed and safety.

Maritime trade was another important branch of global trade network. Malabar Coast, on which Muziris is situated, has a long history of international maritime trade going back to the era of the Roman Empire. Pepper was particularly valued in the Roman Empire and was known as 'Black Gold'.

Calicut was such a bustling emporium that it was even visited by Chinese ships to acquire items, like frankincense (essential oil) and myrrh (fragrant resin used in perfumes, medicines) from the Middle East, as well as, pepper, diamonds, pearls and cotton from India.

On the Coromandel Coast, Pulicat was a major port in the 17th century. Textiles were the principal export from Pulicat to Southeast Asia.

1.4 Trading Communities Strengthened

In different parts of the country, different communities dominated trade. Punjabi and Multani merchants handled business in the northern region, while the Bhats managed the trade in the states of Gujarat and Rajasthan. In western India, these groups were called Mahajan, Chatt is were important traders from the South. In urban centres, such as Ahmedabad the Mahajan community collectively represented by their chief called nagarseeth. Other urban groups included professional classes, such as hakim and vaid (physician), wakil (Lawyer), pundit or mulla (teachers), painters, musicians, calligraphers, etc

1.4.1 Merchant Corporations

The merchant community also derived power and prestige from guilds, which were autonomous corporations formed to protect the interests of the traders. These corporations, organised on formal

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

Trade and industry taxes were also a major source of revenue. Traders had to pay octroi duties that were levied on most of the imported articles at varying rates. They were paid either in cash or in kind. Customs duties varied according to the commodities. Tariffs varied from province to province.

The guild merchants also acted as custodians of religious interests. They undertook the task of building temples and made donations by levying a corporate tax on their members. The commercial activity, thus, enabled big merchants to gain power in the society.

1.4.2 Major Trade Centres

There were all kinds of towns—port towns, manufacturing towns, mercantile towns, the sacred centres, and pilgrimage towns. Their existence is an index of prosperity of merchant communities and professional classes. The following were the leading trade centres in ancient India:

1. Pataliputra: Known as Patna today. It was not only a commercial town, but also a major centre for export of stones.

2. Peshawar: It was an important exporting centre for wool and for the import of horses. It had a huge share in commercial transactions between India, China and Rome in the first century A.D.

3. Taxila: It served as a major centre on the important land route between India and Central Asia. It was also a city of financial and commercial banks. The city occupied an important place as a Buddhist centre of learning. The famous Taxila University flourished here.

4. Indraprastha: It was the commercial junction on the royal road where most routes leading to the east, west, south and north converged.

5. Varanasi: It was well placed as it lay both on the Gangetic route and on the highway that linked North with the East. It grew as a major centre of textile industry and became famous for beautiful gold silk cloth and sandalwood workmanship. It had links with Taxila and Bharuch.

6. Mithila: The traders of Mithila crossed the seas by boats, through the Bay of Bengal to the South China Sea, and traded at ports on the islands of Java, Sumatra and Borneo. Mithila established trading colonies in South China, especially in Yunnan.

7. Surat: It was the emporium of western trade during the Mughal period. Textiles of Surat were famous for their gold borders (zari). It is noteworthy that Surat hundi was honoured in far off markets of Egypt and Iran.

1.4.3 Major Exports and Imports:

Exports consisted of spices, wheat, sugar, indigo, opium, sesame oil, cotton, parrot, live animals and animal products—hides, skin, furs, horns, tortoise shells, pearls, sapphires, quartz, crystal, lapis, lazuli, granites, turquoise and copper etc.

Imports included horses, animal products, Chinese silk, flax and linen, wine, gold, silver, tin, copper, lead, rubies, coral, glass, amber, etc

Concept of Business

People undertake various activities to satisfy their needs. These activities may be broadly classified into two groups:

- **Economic activities** : those by which we can earn our livelihood

- **Non-economic activities:** performed out of love, sympathy, sentiments, patriotism, etc. For example, a worker working in a factory.

CHARACTERISTICS OF BUSINESS ACTIVITIES

- An economic activity
- Production or procurement of goods and services
- Sale or exchange of goods and services for the satisfaction of human needs
- Dealings in goods and services on a regular basis
- Profit earning
- Uncertainty of return
- Element of risk

BUSINESS, PROFESSION AND EMPLOYMENT

1) Business:

- Business refers to those economic activities, which are connected with the production or purchase and sale of goods or supply of services with the main object of earning profit.

2) Profession:

- Profession includes those activities, which require special knowledge and skill to be applied by individuals in their occupation.
- Such activities are generally subject to guidelines or codes of conduct laid down by professional bodies.

3) Employment:

- Employment refers to the occupation in which people work for others and get remunerated in return. Those who are employed by others are known as employees.

COMPARISON OF BUSINESS, PROFESSION AND EMPLOYMENT: BASIS:

- | | |
|--------------------------|-------------------------|
| 1) Mode of establishment | 5) Capital investment |
| 2) Nature of work | 6) Risk |
| 3) Qualification | 7) Transfer of interest |
| 4) Reward or return | 8) Code of conduct |

	Profession	Employment	Business
--	------------	------------	----------

Definition	An occupation which requires specialized knowledge and training to pursue it.	Occupation in which a person works regularly for another and gets wage/salary in return	Occupation in which goods and services are produced and sold in return of money.
Features	a. Specialized knowledge b. Service motive c. Regulated by professional body d. Code of conduct	a. Works for others b. Terms and conditions are there (time, money, work schedule) c. Fixed income.	a. Motive is making profit b. Goods and services are produced and sold
Example	- Teachers - Lawyers - Doctors	- Government jobs - Company executives - Factory workers	- Manufacturing - Mining - Trading - Banking - Insurance

CLASSIFICATION OF BUSINESS ACTIVITIES

Various business activities may be classified into two broad categories –

- **Industry** : concerned with the production or processing of goods and materials
- **Commerce**: includes all those activities which are necessary for facilitating the exchange of goods and services.
-

• <u>Industry</u> :		
• Primary industries: ○ Extractive industries ○ Genetic industries	• Secondary industries: ○ Manufacturing industries: • Analytical industry • Synthetic industry • Processing industry • Assembling industry ○ Construction industries	○ Tertiary industries ○ Service sector eg hospitality etc.
• <u>Commerce</u>		

- Trade

- Internal or home trade:
 - wholesale
 - retail trade
- External or foreign trade:
 - Import trade
 - Export trade
 - Entrepot trade

- Auxiliaries to Trade :

- Transport and Communication.
- Banking and Finance.
- Insurance
- Warehousing
- Advertising



CLASSIFICATION OF BUSINESS ACTIVITIES

Various business activities may be classified into two broad categories –

- Industry : concerned with the production or processing of goods and materials
- Commerce: includes all those activities which are necessary for facilitating the exchange of goods and services.

- Industry :

- Refers to economic activities, which are connected with conversion of resources into useful goods.
- Include activities relating to producing or processing of goods as well as breeding and raising of animals.
- Also used to mean groups of firms producing similar or related goods.
- Industries may be divided into three broad categories namely
 - Primary,
 - Secondary And
 - Tertiary.

- Primary industries:

- These include all those activities, which are connected with the extraction and production of natural resources and reproduction and development of living organisms, plants etc.
- These industries may be further subdivided as follows:

- Extractive industries:

- Extract or draw out products from natural sources.
- Supply some basic raw materials that are mostly products of the soil.
- Products of these industries are usually transformed into many other useful goods by manufacturing industries.
- Important extractive industries include farming, mining, lumbering, hunting and fishing operations.

- Genetic industries:

- Engaged in breeding plants and animals for their use in further reproduction.
- The seeds and nursery companies are typical examples of genetic industries. Activities of cattle-breeding farms, poultry farms, and fish hatchery come under the class of genetic industries.

- Secondary industries:

- Concerned with using the materials, which have already been extracted at the primary stage.
- Process such materials to produce goods for final consumption or for further processing by other industrial units.
- May be further divided as follows:
 - Manufacturing industries: Engaged in producing goods through processing of raw materials and thus creating form utilities.
 - May be further divided into four categories on the basis of method of operation for production.

- ✓ Analytical industry: analyses and separates different elements from the same materials, as in the case of oil refinery.
- ✓ Synthetic industry: combines various ingredients into a new product, as in the case of cement.
- ✓ Processing industry: involves successive stages for manufacturing finished products, as in the case of sugar and paper.
- ✓ Assembling industry: assembles different component parts to make a new product, as in the case of television, car, computer, etc.
- **Construction industries**:
 - Involved in the construction of buildings, dams, bridges, roads as well as tunnels and canals.
 - Engineering and architectural skills are an important part in construction industries.
- **Tertiary industries**:
 - Concerned with providing support services to primary and secondary industries as well as activities relating to trade.
 - May be considered part of commerce because as auxiliaries to trade they assist trade. Included in this category are transport, banking, insurance, warehousing, communication, packaging and advertising.
- **Commerce**
 - All activities involving the removal of hindrances in the process of exchange are included in commerce.
 - Provides the necessary link between producers and consumers.
 - Includes two types of activities,
 - **Trade**: Buying and selling of goods
 - **Auxiliaries to trade**: Activities that are required to facilitate the purchase and sale of goods. These are called services or auxiliaries to trade and include transport, banking, insurance, communication, advertisement, packaging and warehousing.
 - Commerce is said to consist of activities of removing the hindrances of persons, place, time, risk, finance and information in the process of exchange of goods and services.
 - The hindrance of persons is removed by trade thereby making goods available to the consumers from the producers.
 - Transport removes the hindrances of place by moving goods from the places of production to the markets for sale.
 - Storage and warehousing activities remove the hindrance of time by facilitating holding of stocks of goods to be sold as and when required.
 - Goods held in stock as well as goods in course of transport are subject to the risk of loss or damage due to theft, fire, accidents, etc. Protection against these risks is provided by insurance of goods.
 - Capital required to undertake the above activities is provided by banking and financing institutions.

- Advertising makes it possible for producers and traders to inform consumers about the goods and services available in the market. Hence, it removes hindrance of information.

- Trade

- Refers to sale, transfer or exchange of goods. It helps in making the goods produced available to ultimate consumers or users.
- Trade may be classified into two broad categories –
 - Internal or home trade: concerned with the buying and selling of goods and services within the geographical boundaries of a country.
 - Wholesale : When goods are purchased and sold in bulk
 - Retail trade: When goods are purchased and sold in comparatively smaller quantities.
 - External or foreign trade: consists of the exchange of goods and services between persons or organizations operating in two or more countries.
 - Import trade: If goods are purchased from another country,
 - Export trade: If they are sold to other countries
 - Entrepot trade: goods are imported for export to other countries.

- Auxiliaries to Trade :

- Activities meant for assisting trade.
- In fact, these activities not only support trade but also industry and hence, the entire business activity.

- Transport and Communication:

- Production of goods generally takes place in particular locations. But these goods are required for consumption in different part of the country.
- The obstacle of place is removed by transport – road, rail or coastal shipping.
- Transport facilitates movement of raw material to the place of production and the finished products from factories to the place of consumption.
- There is also a need for communication facilities so that producers, traders and consumers may exchange information with one another.
- Thus, postal services and telephone facilities may also be regarded as auxiliaries to business activities.

- Banking and Finance:

- Business activities cannot be undertaken unless funds are available for acquiring assets and meeting the day-to-day expenses. Banking helps business activities to overcome the problem of finance.
- Commercial banks generally lend money by providing overdraft and cash credit facilities, loans and advances.
- Banks also undertake collection of cheques, remittance of funds to different places, and discounting of bills on behalf of traders.
- In foreign trade, payments are arranged by commercial banks on behalf of importers and exporters.
- Commercial banks also help promoters of companies to raise capital from the public.

- Insurance:

- Business involves various types of risks. E.g. fire, theft, loss or damage.
 - Employees are also required to be protected against the risks of accident and occupational hazards.
 - On payment of a nominal premium, the amount of loss or damage and compensation for injury, if any, can be recovered from the insurance company.
- **Warehousing:**
- Usually, goods are held in stock to be available as and when required. Special arrangement must be made for storage of goods to prevent loss or damage.
 - Warehousing helps business firms to overcome the problem of storage and facilitates the availability of goods when needed.
 - Prices are thereby maintained at a reasonable level through continuous supply of goods.
- **Advertising:**
- Advertising is one of the most important methods of promoting the sale of products, particularly, consumers goods.
 - It is impossible for producers and traders to contact each and every customer.
 - Thus, for sales promotion, information about the goods available, its features must reach potential buyers.
 - Also there is a need to persuade potential buyers about the uses, quality, prices, competitive information about the goods etc.

OBJECTIVES OF BUSINESS

- ✓ An objective = all that the business people want to get in return for what they do.
 - ✓ Their primary objective is to produce or distribute goods or services for a profit.
 - ✓ However, business enterprises are part of society and have several objectives, including social responsibility to survive and prosper in the long run.
 - ✓ Meaning and classification of objectives of business as : Business objectives have 2 broad categories: Economic and Social.
- a. **Economic Objectives -**
- **Profit Earning:** profit is the difference between the revenues and the expense of a particular period. Earning profits is the primary objective of any business enterprise. is the livelihood of any business. Profit helps the businessman to earn a livelihood and expand the business by reinvesting a part of profit.
 - **Survival:** Every business faces competition. Another economic objective of business is to ensure that the business survives in the long run. A business should use resources like men, material, money, machines etc to the best possible way such as employ efficient workers, full usage of machines, reduce wastage etc.
 - **Growth:** A business should not only exist in the long run, it should also ensure that it grows in terms of market share, capital invested as well as in terms of the market value of its shares. Giving quality goods at reasonable prices will ensure that more customers

are attracted for existing and new products. This can be achieved by marketing strategies.

- Regular innovation- Business is dynamic and needs changes in the products, production and distribution process, cost, etc

b. Social Objectives –

- Production and supply of quality goods and services – business should produce better quality goods. Goods should be supplied at the right time. Price of the goods should be in accordance to the quality of the good and the services provided.
- Using fair trade practices – unfair means such as : hoarding, black marketing, over charging, misleading advertisements, artificial scarcity of essential goods; should not be used in business. It gives a bad name to business and sometimes makes the businessmen liable for penalty and imprisonment under the law.
- Contribution to the general welfare of society – Business should work for the welfare and upliftment of the society. Eg: running schools and colleges, hospitals, vocational centres, parks, sports complexes, etc.

• **Primary Role of Profit –**

- a. As a source of income for business persons for meeting expansion requirements.
- b. Indication of efficient working of business and building its reputation of business.

✓ **Profit may be regarded as an essential objective of business for various reasons:**

- a. It is a source of income for business persons,
- b. It can be a source of finance for meeting expansion requirements of business,
- c. It indicates the efficient working of business,
- d. It can be taken as society's approval of the utility of business and
- e. It builds up the reputation of a business enterprise.

✓ **Multiple Objectives of Business :**

- a. Market standing
- b. Innovation
 - Innovation in product or service;
 - Innovation in the various skills and activities needed to supply them.
- c. Productivity
- d. Physical and financial resources
- e. Earning profits
- f. Manager performance and development
- g. Worker performance and attitude
- h. Social responsibility

BUSINESS RISKS

- ✓ The term 'business risks' refers to the possibility of inadequate profits or even losses due to uncertainties or unexpected events.
- ✓ Business enterprises constantly face two types of risk:
 - a. Speculative risks :
 - involve both the possibility of gain as well as the possibility of loss.
 - b. Pure risks: involve only the possibility of loss or no loss.

NATURE OF BUSINESS RISKS

- 1) Business risks arise due to uncertainties
- 2) Risk is an essential part of every business
- 3) Degree of risk depends mainly upon the nature and size of business
- 4) Profit is the reward for risk taking

CAUSES OF BUSINESS RISKS

- 1) Natural causes: eg earthquake, flood, drought etc.
- 2) Human causes: eg losses due to carelessness or dishonesty of employees.
- 3) Economic causes: eg price fluctuation, changes in the market conditions etc
- 4) Other causes: e.g. accidents, equipments becoming outdated or damaged.

Chapter2: Forms of Business Organisation

Forms of business organisation refer to the types of organizations which differ in terms of ownership and management. The major forms of organisation include proprietorship, partnership, joint Hindu family business, cooperative society, and company

Sole Proprietorship

Refers to a form of organisation where business is owned, managed and controlled by a single individual who bears all the risks and is the only recipient of all the profits.

Characteristics of Sole Proprietorship:

- i. **Formation and closure:**— minimum of legal and other formalities
- ii. **Unlimited Liability:** In case of loss the business assets along with the personal properties of the proprietor shall be used to pay the business liabilities.
- iii. **Sole risk bearer and profit recipient:** That individual owns all assets and properties of the business. He alone bears all the risk, profit and loss of the business.
- iv. **One-man Control:** The owner or proprietor alone takes all the decisions to run the business.

- v. **No separate entity:** No distinction made between the sole trader and his business.
- vi. **Lack of business continuity:** If the proprietor dies then the business would have to be wound up.

Merits of Sole Proprietorship	Demerits of Sole Proprietorship
<ul style="list-style-type: none"> a. Quick decision making b. Confidentiality of information c. Direct incentive d. Sense of accomplishment e. Ease of formation and closure 	<ul style="list-style-type: none"> a. Limited resources b. Limited life of business concern c. Unlimited liability of sole proprietor d. Limited managerial ability

Partnership

The Indian Partnership Act, 1932 defines partnership as “the relation between persons who have agreed to share the profit of the business carried on by all or any one of them acting for all”.

Characteristics/Features of Partnership:

- i. **Formation:** It comes into existence through a legal agreement wherein the terms and conditions governing the relationship among the partners sharing of profits and losses and the manner of conducting the business are specified.
- ii. **Unlimited Liability:** If the assets of the firm are insufficient to meet the liabilities, the personal properties of the partners, if any, can also be utilised to meet the firm's liabilities.
- iii. **Risk bearing:** Profits and losses are shared in the agreed ratio.
- iv. **Decision making and control:** Decisions are taken with a mutual consent. Activities of the firm are managed through the joint efforts of all partners.
- v. **Continuity:** Death, retirement, insolvency or insanity of any partner can bring an end to the business, but in case if the remaining partners prefer to continue the business they can do so with a new agreement.
- vi. **Membership** - According to Companies Act, 2013 minimum number of members is two and maximum is hundred.
- vii. **Principal Agent Relationship-** All the partners of a firm are the joint owners of the business. They all have an equal right to actively participate in its management. Every partner has a right to act on behalf of the firm. When a partner deals with other parties in business transactions, he/she acts as an agent others and at the same time the others become the principal. So there always exists a principal agent relationship in every partnership firm.

Merits of Partnership	Demerits of Partnership
<ul style="list-style-type: none"> o Ease of formation and closure o Balanced decision making o More funds o Sharing of risks 	<ul style="list-style-type: none"> o Unlimited liability o Limited resources o Possibility of conflicts o Lack of continuity

○ Secrecy	○ Lack of public confidence
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• **Types Of Partnership:**

✓ On The Basis of Duration:

- Partnership at Will:* Partnership formed for an indefinite period.
- Particular Partnership:* Partnership formed to carry out a specific venture.

✓ On The Basis Of Liability:

- General Partnership:* Liability of all members is unlimited.
- Limited Partnership:* one partner has unlimited liability and the liability of other partners is limited to their share in the partnership.

• **Types Of Partners:**

Type Of Partner	Capital Contribution	Liability	Participation In Management	Share In Profits
• <i>Active Partners</i>	✓	✓	✓	✓
• <i>Sleeping Partners</i>	✓	✓	×	✓
• <i>Secret Partners</i>	✓	✓	✓	✓
• <i>Nominal Partner</i>	×	✓	×	×
• <i>Partner by estoppel</i>	×	✓	×	×

- ✓ *Active partner:* Partners who take actual part in carrying out business of the firm on behalf of other partners.
- ✓ *Sleeping partners:* Partners whose association is not known to the general public.
- ✓ *Secret Partners:* Similar to Active partners except for the fact that his/her association with the firm is not known to the outsiders.
- ✓ *Nominal Partner:* They are not real partners of the firm. They are only liable to outsiders for the debts given to the firm if it is given because of the belief that the nominal partner is a partner in the firm.
- ✓ *Partner by Estoppel:* Is a person who accepts by his words or conduct that he is a partner in the firm.

• **Limited Liability Partnership:**

- Introduced in India by enacting Limited Liability Partnership Act 2008.
- It is a corporate form of organization.

- It provides the benefits of limited liability but allows its partners the flexibility of organizing the firm's internal structure as a partnership based on agreements.
- Therefore, LLP enables professional expertise and entrepreneur initiative to combine, organize and operate in a flexible and efficient manner.
- Features of LLP:
 1. LLP is a body corporate and has a legal entity separate from its partners.
 2. LLP has perpetual succession and any change in its partners does not affect the existence of a LLP.
 3. Every LLP must have at least 2 partners but there is no limit for the maximum number of partners.
 4. A LLP partner is not personally liable for the acts of other partners. Therefore, partners have limited liability only for any act which have been committed with the intent or any fraudulent purpose.
 5. The provisions of Indian partnership Act 1932 does not apply to LLPs. Further provision of Company's Act may apply to LLP with the approval of Central Government with or without modifications.

Partnership Deed:

It is advisable to have a written agreement as it constitutes an evidence of the conditions agreed upon. This written agreement which specifies the terms and conditions that govern the partnership is called the partnership deed.

It includes various aspects.

Registration of Partnership firm:

Registration provides conclusive proof of the existence of a partnership firm. It is optional to get registered but however there are consequences for non-registration of a firm:

- a. A partner of an unregistered firm cannot file a suit against the firm or other partners.
- b. The firm cannot file a suit against third parties
- c. The firm cannot file a case against the partners.

The procedure for getting a firm registered is as follows:

1. Submission of application in the prescribed form to the registrar of firms along with various particulars.
2. Deposit of required fees
3. Registrar after approval will make an entry in the register of firms and will issue the certificate.

Joint Hindu Family Business/Hindu undivided Family

- Business owned and carried on by the members of a Hindu Undivided Family.
- HUF is governed by the Hindu Succession Act that exists under the Hindu law..
- *Karta* – the eldest male member of the family – controls the business.
- Conditions for existence of HUF:

- Minimum of 2 male members in the family.
- Existence of some ancestral property.
- 2 systems of inheritance prevalent:
 - Dayabhaga – this system prevalent in Bengal allowed both male and female members of the HUF to be coparceners.
 - Mitakasha – only male members were allowed to be members. This system was prevalent across the country.
 - However, in 2004 a Bill as passed in the Parliament to give equal rights to women and now women can become coparceners as per both the systems.

Features of the Joint Hindu Family Business

- i. **Formation:** Membership is automatic by birth. At least two members to be present.
- ii. **Control:** The management vests in the *Karta*, the eldest member of the family. However, the *Karta* may associate other members of the HUF to assist him.
- iii. **Liability:** The *Karta* has unlimited liability, i.e. even his personal assets can be used for payment of business dues. Every other coparcener has a limited liability upto his share in the HUF property.
- iv. **Continuity:** The HUF business continues even after the death of a coparcener including the *Karta*. The next senior most surviving male member of the HUF becomes the *Karta*. However, it may come to an end if all the members mutually agree to the same.
- v. **Minor members:** A male child at the time of birth becomes a coparcener. Thus, an HUF does not restrict membership to minors.

Merits of Joint Hindu Family Business	Demerits of Joint Hindu Family Business
a. Effective control b. Continued business existence c. Limited liability d. Increased loyalty among family members	a. Limited resources b. Lack of incentives c. Dominance of the <i>karta</i> d. Limited managerial ability

A Cooperative Society

Voluntary association of persons who get together to protect their economic interests.

CHARACTERISTICS OF CO-OPERATIVE SOCIETIES:

- 1) **Voluntary Association:**
 - A member can join the society as and when he likes, continue for as long as he likes, and leave the society at will.
- 2) **Legal status:**
 - Registration is compulsory.
- 3) **Limited liability:**
 - Liability of the members limited to the amount contributed by them as capital.
- 4) **Control:**
 - Decisions lie in the hand of the elected managing committee. Each member has only one vote, irrespective of the number of shares held by him or her.
- 5) **Service Motive:**

- The primary aim service to its members, though it may also in the process happen to earn reasonable profits for itself.

Types of Co-Operative Societies:

Classified on the basis of the nature of services rendered by them.

1. *Consumer's Co-operative Societies:*

- Formed to protect the interest of general consumers
- Makes consumer goods available at a reasonable price.
- Purchase goods directly from the producers, eliminate the middlemen in the process of distribution.
- Examples = Kendriya Bhandar, Apana Bazar and Super Bazar

2. *Producers Co-operative Societies:*

- Formed to protect the interest of small producers
- Makes available items of their needs for production like raw materials, tools and equipments and machinery, etc.
- Examples = Handloom societies like APPCO, Bayanika, Haryana Handloom, etc.

3. *Marketing Cooperative Societies:*

- Formed by small producers and manufactures who find it difficult to sell their products individually.
- They collect the products from the individual members and takes the responsibility of selling those products in the market.
- Examples = Gujarat Co-operative Milk Marketing Federation that sells AMUL milk products.

4. *Farmer's Cooperative societies:*

- These societies are established protect the interests of farmers for providing better inputs at a reasonable cost.
- They provide better quality seeds, fertilisers, machinery and other modern techniques for use in the cultivation of crops.

5. *Credit Cooperative Societies:*

- Formed to provide financial support to the members.
- They accept deposits from members and grant them loans at reasonable rates of interest in times of need.
- Examples = Village Service Co-operative Society and Urban Cooperative Banks

6. *Cooperative Group Housing Societies:*

- Residential societies formed to provide residential houses to members.
- They purchase land and construct houses or flats and allot the same to members.

Merits of Cooperative Societies	Demerits of Cooperative Societies
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<ol style="list-style-type: none"> 1. Equality in voting 2. Members' limited liability 3. Stable existence 4. Economy in operations 5. Support from government 6. Ease of formation 	<ol style="list-style-type: none"> 1. Limited resources 2. Inefficiency in management 3. Lack of secrecy 4. Government control 5. Differences of opinion
Types of cooperative society	
<ol style="list-style-type: none"> a. Consumers cooperative society, b. Producers cooperative society, c. Marketing cooperative society, 	<ol style="list-style-type: none"> d. Farmers cooperative society, e. Credit cooperative society, and f. Cooperative housing society.

A Company

- The companies in India are governed by the Indian Companies Act, 1956. And a company means a company formed and registered under this act.
- A company is an artificial person created by law, having a separate legal entity, with perpetual succession and a common seal.
- The capital of a company is divided into a number of units called shares that are of equal value.
- Members of the company holding one or more shares are called the company's shareholders.
- Changes incorporated as per the Companies Act 2013:
 - One-person company: The 2013 Act introduces a new type of entity to the existing list i.e. apart from forming a public or private limited company, the 2013 Act enables the formation of a new entity a 'one-person company' (OPC). An OPC means a company with only one person as its member [section 3(1) of 2013 Act].
 - Private company: The 2013 Act introduces a change in the definition for a private company, inter-alia, the new requirement increases the limit of the number of members from 50 to 200. [section 2(68) of 2013 Act].
 - Mandatory 2 % CSR Requirement : Apply to any company that is incorporated in India, whether it is domestic or a subsidiary of a foreign company, and which has (1) net worth of Rs. 5 billion or more (US\$83 million), (2) turnover of Rs. 10 billion or more (US\$160 million), or (3) net profit of Rs. 50 million or more (US\$830,000) during any of the previous three financial years.

CSR activities = that promote poverty reduction, education, health, environmental sustainability, gender equality, and vocational skills development. Companies can choose which area to invest in, or contribute the amount to central or state government funds earmarked for socioeconomic development.

Features of a Joint Stock Company:

- *Artificial legal Person* – To have legal personality means to be capable of having legal rights and duties within a certain legal system, such as to enter into contracts, sue, and be sued. It lacks the attributes possessed by natural persons. It is invisible, intangible, immortal and exists only in the contemplation of law. Hence, it has to operate through a board of directors consisting of individuals.
- *Separate Legal Entity* – A company is a distinct legal entity, different from its members or shareholders. This implies that the property of the company belongs to it and not to the members or shareholders; no member can either individually or jointly claim any ownership rights in the assets of the company; an individual member cannot be held liable for the wrongful acts of the company even if he/she holds virtually the entire share capital; the members of the company can enter into contracts with the company.
- *Formation*- It is very time consuming, expensive and a complicated process.
- *Perpetual succession* –A company enjoys continuous existence and its continuance is not affected by the death, insolvency, mental or physical incapacity of its members. It is created by law and law alone can dissolve it.
- *Control* – The management and control of the affairs of the company is undertaken by the Board of Directors.
- *Limited liability* –The liability of its members is limited to the amount remaining unpaid on the shares subscribed by them. Thus, in case of fully paid-up shares, the members cannot be asked to contribute any further, if the company goes into liquidation.
- *Common Seal* – A company has a common seal, which is the signature of that company and signifies common consent of all the members. The company's seal is affixed on all the documents executed for and on its behalf.
- *Risk sharing* – the risk of losses is shared by all the shareholders to the extent of their shares in the company's capital.

Merits of a Joint Stock Company	Demerits of a Joint Stock Company
<ol style="list-style-type: none"> 1. Members' limited liability 2. Transfer of interest 3. Stable existence 4. Scope for expansion 5. Professional management 	<ol style="list-style-type: none"> 1. Complexity in formation 2. Lack of secrecy 3. Impersonal work environment 4. Numerous regulations 5. Delay in decision making 6. Oligarchic management 7. Conflict of interests among different stake holders

- *Meaning And Definition Of Private And Public Company-*

- A private company is one which restricts transfer of shares and does not invite the public to subscribe to its shares.
- A public company, on the other hand, is allowed to raise its funds by inviting the public to subscribe to its share capital.

▪ *Features of Private Company –*

- These are closely held businesses usually by family, friends and relatives.
- Private companies may issue stock and have shareholders. However, their shares do not trade on public exchanges and are not issued through an initial public offering.
- Shareholders may not be able to sell their shares without the agreement of the other shareholders.

▪ *Merits of Private Company*

1. Limited Liability: It means that if the company experience financial distress because of normal business activity, the personal assets of shareholders will not be at risk of being seized by creditors.
2. Continuity of existence: business not affected by the status of the owner.
3. Minimum number of shareholders need to start the business are only 2.
4. More capital can be raised as the maximum number of shareholders allowed is 200
5. Scope of expansion is higher because easy to raise capital from financial institutions and the advantage of limited liability.

Limitations of Private Company

1. Growth may be limited because maximum shareholders are specified.
2. The shares in a private limited company cannot be sold or transferred to anyone else without the agreement of other shareholders

Features of Public Company

1. Limited companies which can sell share on the stock exchange are Public Limited companies. These companies usually write PLC after their names. .

Merits of Public Company

1. There is limited liability for the shareholders.
2. The business has separate legal entity. There is continuity even if any of the shareholders die.
3. These businesses can raise large capital sum as there is no limit to the number of shareholders.
4. The shares of the business are freely transferable providing more liquidity to its shareholders.

Limitations of Public Company

1. There are lots of legal formalities required for forming a public limited company. It is costly and time consuming.
2. In order to protect the interest of the ordinary investor there are strict controls and regulations to comply. These companies have to publish their accounts.

3. The original owners may lose control.
4. Public Limited companies are huge in size and may face management problems such as slow decision making and industrial relations problems.

Difference between Private limited and Public limited Companies

Basis of Difference	Private Limited Companies	Public Limited Companies
1. Minimum Number Of Persons Required	2	7
2. Minimum Paid Up Capital	Rs. 1 lakh	Rs. 5 lakh
3. Maximum Number Of Members	Not to exceed 200	No such restriction on the maximum number of members
4. Right To Transfer Shares	Restricted	Shares are freely transferable
5. Directors	At least two Directors	At least three Directors
6. Index of members	Not compulsory	Compulsory
7. Invitation to public to subscribe to shares	Cannot invite the public to subscribe to its shares and debentures	Can invite the public to subscribe to its shares or debentures

Formation of a Company

The four stages in the formation of a company are:

- Promotion
- Incorporation
- Capital Subscription And
- Commencement of Business.

The two stages in the formation of a **Private Company** are promotion and incorporation. A **Public Company** has to undergo capital subscription stage and then get certificate of commencement of business, to begin operations.

1. **Promotion:** It involves conceiving a business opportunity and taking an initiative to form a company after exploiting the available business opportunity. **A Promoter** is said to be the one who undertakes to form a company with reference to a given project and to set it going and who takes the necessary steps to accomplish that purpose.

The various functions of a promoter are:

1. Identification of Business Opportunity:
2. Feasibility Studies:
 - a. Technical Feasibility Studies:
Checks availability of raw material, inputs, technology etc.

b. Financial Feasibility Study:

Whether the required finances can be arranged within the available means.

c. Economic Feasibility Study:

Will it be profitable to produce it.

3. Name Approval
4. Fixing up Signatories to the Memorandum of Association
5. Appointment of Professionals
6. Preparation of Necessary Documents

2. Incorporation:

1. Filing of necessary documents
2. Payment of Fees
3. Registration
4. Certificate of Incorporation

3. Capital Subscription:

1. SEBI approval
2. Prospectus/ Statement in Lieu of Prospectus
3. Appointment of brokers, bankers and underwriters etc
4. Minimum Subscription
5. Application to Stock Exchange
6. Allotment of Shares

1. Promotion:

It begins with a potential business idea. Certain feasibility studies e.g. technical, financial, and economic, are conducted to determine whether the idea can be profitably exploited. In case, the investigations yield favorable results, promoters may decide to form the company. Persons who conceive the business idea, decide to form a company, take necessary steps for the same, and assume associated risks, are called promoters.

Steps in Promotion

i. Identification of Business Opportunity:

Promoter identifies the profitability of the idea by analyzing the opportunities available in that area, the various resources required, amount of capital required and the degree of risk involved.

ii. Feasibility Studies:

- a. Technical Feasibility Studies
- b. Financial Feasibility Study
- c. Economic Feasibility Study

iii. Name Approval:

Approval of company's name is taken from the Registrar of Companies.

iv. **Fixing up Signatories to the Memorandum of Association:**

They sign the Memorandum of Association and become the first directors of the company.

v. **Appointment of Professionals:**

Certain professionals are appropriated to assist the promoters. Eg brokers and underwriters to ensure availability of funds and solicitors to take care of legal requirements.

vi. **Preparation of Necessary Documents:**

Necessary documents are to be submitted to the Registrar for registering the company.

Role of a Promoter:

- A promoter is not an agent for the company which he is forming, because a company cannot have an agent before it comes into existence.
- He is not a trustee for the company because there is no company yet in existence.
- The promoter stands in Fiduciary Relation to a company and to those persons becomes shareholder later.
 - The promoter is accountable to the company like an agent and trustee.
 - He cannot make any secret profit. He must disclose everything to the company.
 - He is personally liable for all contract made by him with third party on behalf of company.
 - Before incorporation a company has no legal existence and so cannot make a contract.
- A promoter, therefore, has no legal right to claim remuneration for his services. If the promoter enters into a contract with the company about his remuneration, after the incorporation of company, then directors are liable to pay remuneration.
- The remuneration may be paid in any of these ways.
 - If a commission on business or property taken over by the company through him. A company may give him a lump sum amount in cash.
 - Some shares can be allotted to him.
 - He may take a commission at a fixed rate on shares sold.
 - He may take an option to subscribe for certain non-issued shares of company at par within a fixed period.

2. Incorporation:

- a. **Filing of necessary documents:** An application is made by promoters to the Registrar of Companies along with necessary documents and registration fees.
- b. **Payment of Fees:** The amount of fees is determined by the amount of 'Authorised capital'.
- c. **Registration:** The Registrar verifies all the documents and the fees deposited. If he is satisfied then he enters the name of the company in his register.
- d. **Certificate of Incorporation:**
 - i. The Registrar, after due scrutiny, issues a certificate of incorporation.

- ii. The registration may be refused only in case of a major defect in submission of Documents.
- iii. The certificate of incorporation is a conclusive evidence of the legal existence of the company. Even if there has been a major defect in the process of incorporation, legal existence of the company cannot be denied once the certificate of incorporation is issued.

3. Capital Subscription:

A public company raising funds from the public needs to take following steps for fund raising:

- a. **SEBI approval:** All relevant documents have to be submitted with the Securities Exchange Board of India (SEBI) which is a regulatory body which controls the capital market of India.
- b. **Prospectus/ Statement in Lieu of Prospectus:**
 - A copy of prospectus has to be filed with the Registrar of Companies
 - A Prospectus is a document issued to invite deposits or offers from general public for the subscription or purchase of any shares or debentures of a body corporate.
 - A public company, raising funds, raising funds from friends/relatives (not public) has to file a Statement in Lieu of Prospectus with the ROC at least three days before allotment of shares and returns of allotment after completing the allotment.
- c. **Appointment of brokers, bankers and underwriters etc.;**
 - **Bankers:** to receive and deposit the application money.
 - **Brokers:** Encourages public to buy shares. They charge a commission for the same.
 - **Underwriters:** if the company is not sure of selling the whole lot of shares, it may appoint underwriters.
- d. **Minimum Subscription:**
 - A public company cannot make allotment of shares unless a minimum subscription is received.
 - As per the rules of SEBI, a company must receive 90% of the issued amount within 120 days of issue of prospectus.
 - In case it is not received, the company must give back the application within the next 10 days.
- e. **Application to Stock Exchange:**
 - A firm must get itself registered with a recognized Stock Exchange before selling its shares to the general public. If a firm does not get permission within 10 weeks from the date of closure of subscription list, then allotment will be void and the money received from the applicants must be returned.
- f. **Allotment of Shares:**
 - Issue allotment letters to successful applicants; and File return of allotment with the Registrar of Companies (ROC).
 - Return of Allotment = a statement giving details about the names and addresses of all the shareholders.

4. Commencement of Business:

A public company raising funds from public has to apply to the Registrar of Companies for the certificate of commencement of business along with the declaration that

- a) Shares payable in cash have been subscribed and minimum subscription has been received;
- b) Every director has paid in cash the money due on his/her shares.
- c) no money is payable to applicants
- d) The above requirements have been complied with.

The declaration must be signed by the director/Secretary of the company.

A public company raising funds privately has to submit only documents (b) and (d) listed above.

The Registrar, upon satisfaction, issues Certificate of Commencement of Business. This certificate is also a conclusive evidence of completion of formation requirements.



TERMS TO BE UNDERSTOOD:

a) **Preliminary Contracts:** Contracts signed by promoters with third parties before the incorporation of company.

b) **Provisional Contracts:** Contracts signed after incorporation but before commencement of business.

c) **Articles of Association:**

- ✓ Contains rules and regulations regarding the management of a company.
- ✓ It defines the powers, duties and rights of managers, officers and the Board of Directors.
- ✓ If a company does not prepare its own Articles, they can use Table A given in the Company's Act.

d) **Memorandum of Association:**

- ✓ Principal document of a company.
- ✓ Contains the powers and objectives of the company and describes the scope of operations of the company.
- ✓ Provides information to outsiders such as creditors, suppliers etc about the limitations and the scope of a company's management.

✓ Clauses: The MoA contains the following clauses:

i. **Name Clause:**

- Contains the name of the company.
- The name must end with the word 'Limited' in case of a public co and 'Private Limited' in case of a Private Limited Company.
- The name should not be identical to an existing company and should not imply any connection with a government dept.

ii. **Situations/Domicile Clause:**

- Contains the name of the state in which the registered office of the company is to be situated.
- The company is registered in the state in which it's registered.
- A company keeps all its important documents in the registered office and must have a registered office when it starts its business activities or within 30 days

iii. **Objects Clause:**

- It contains the main object and other secondary objectives which the company may pursue.
- The objects must be legal, not be contrary to the provisions of law and must not be immoral.
- The company cannot undertake any activity that is not covered in the objects clause.

iv. Liability Clause:

- Defines the liability of members.
- In case of companies limited by shares, it is limited to the unpaid amount of their share capital.
- In case a company is limited by guarantee, it is limited to the amount of guarantee given by the members.

v. Capital Clause:

- Specifies that amount of share capital with which a company is to be registered.
- A company can issue the number of shares which are authorized by the MoA.

vi. Association/Subscription Clause:

- This clause contains the declaration by the directors stating that they are desirous of forming a company and have undertaken to buy the qualification shares.

One Person Company

With the implementation of The Companies Act, 2013, a single person could constitute a company, under the One Person Company (OPC) concept. The introduction of OPC in the legal system is a move that would encourage corporatisation of micro businesses and entrepreneurship.

In India, in the year 2005, the JJ Irani Expert Committee recommended the formation of OPC. It had suggested that such an entity may be provided with a simpler legal regime through exemptions so that the small entrepreneur is not compelled to devote considerable time, energy and resources on complex legal compliance.

One Person Company is a company with only one person as a member. That one person will be the shareholder of the company. It avails all the benefits of a private limited company such as separate legal entity, protecting personal assets from business liability and perpetual succession.

Characteristics

- (1) Only a natural person who is an Indian citizen and resident in India- (a) Shall be eligible to incorporate a One Person Company; (b) Shall be a nominee for the sole member of a One Person Company. Explanation - For the purposes of this rule, the term "resident in India" means a person who has stayed in India for a period of not less than one hundred and eighty two days during the immediately preceding one calendar year.
- (2) No person shall be eligible to incorporate more than a One Person Company or become nominee in more than one such company.
- (3) Where a natural person, being member in One Person Company in accordance with this rule becomes a member in another such Company by virtue of his being a nominee in that One Person Company, such person shall meet the eligibility criteria specified in sub rule (2) within a period of one hundred and eighty days.
- (4) No minor shall become member or nominee of the One Person Company or can hold share with beneficial interest.
- (5) Such Company cannot be incorporated or converted into a company under section 8 of the Act.
- (6) Such Company cannot carry out Non-Banking Financial Investment activities including investment in securities of anybody corporates. No such company can convert voluntarily into any kind of company unless two years have expired from the date of incorporation of One Person Company,

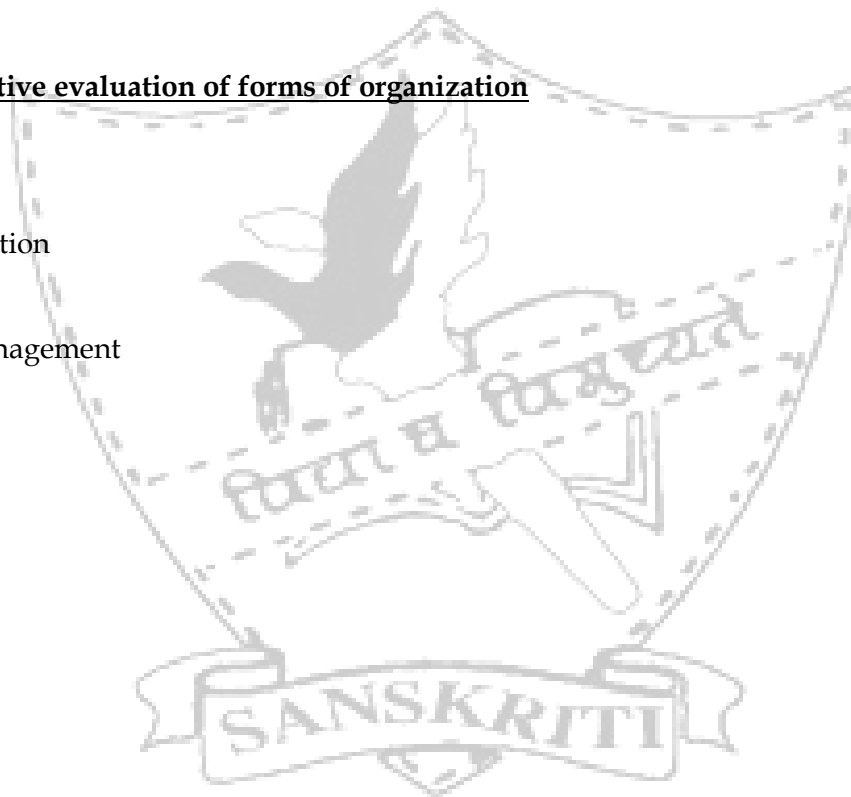
except threshold limit (paid up share capital) is increased beyond fifty lakh rupees or its average annual turnover during the relevant period exceeds two crore rupees.

FACTORS AFFECTING CHOICE OF FORM OF ORGANISATION:

1. Cost and ease in setting up the organization
2. Liability
3. Continuity
4. Management ability
5. Capital contribution
6. Degree of control
7. Nature of business

Basis for comparative evaluation of forms of organization

1. Formation
2. Members
3. Capital contribution
4. Liability
5. Control and management
6. Continuity



Chapter 3: Private, Public and Global Enterprises

Private Sector and Public Sector:

There are all kinds of business organizations – small or large, industrial or trading, privately owned or government owned existing in our country. The government of India has opted for a **mixed economy** where both private and government enterprises are allowed to operate.

The economy therefore may be classified into two sectors viz.,

- Private Sector, And
- Public Sector.

The private sector

- Business owned by individuals or a group of individuals.
- Forms = sole proprietorship, partnership, joint Hindu family, cooperative, and company.

The public sector

- Owned and managed by the government.
- **These may either be partly or wholly owned by the central or state government.**

Forms of organizing public sector enterprises:

- (i) Departmental undertaking
- (ii) Statutory corporation
- (iii) Government company

Departmental Undertakings:

- Established as departments of the ministry and are considered part or an extension of the ministry itself. The activities performed by them are an integral part of the functioning of the government.
- **Features of Departmental Undertakings:**
 - a. The funding of these enterprises come directly from the Government Treasury and is an annual appropriation from the budget of the Government. The revenue earned by these is also paid into the treasury;
 - b. They are subject to accounting and audit controls applicable to other Government activities;
 - c. The employees of the enterprise are Government servants and their recruitment and conditions of service are the same as that of other employees directly under the Indian Administrative Service (IAS) officers and civil servants who are transferable from one ministry to another;
 - d. It is generally considered to be a major subdivision of the Government department and is subject to direct control of the ministry;
 - e. They are accountable to the ministry since their management is directly under the concerned ministry.

- **Merits of Departmental Undertakings**

- a. These undertakings facilitate the Parliament to exercise effective control over their operations;
- b. These ensure a high degree of public accountability;
- c. The revenue earned by the enterprise goes directly to the treasury and hence is a source of income for the Government;
- d. Where national security is concerned, this form is most suitable since it is under the direct control and supervision of the concerned Ministry.

- **Limitations**

- a. Departmental undertakings fail to provide flexibility, which is essential for the smooth operation of business;
- b. The employees or heads of departments of such undertakings are not allowed to take independent decisions, without the approval of the ministry concerned. This leads to delays, in matters where prompt decisions are required;
- c. These enterprises are unable to take advantage of business opportunities. The bureaucrat's over-cautious and conservative approval does not allow them to take risky ventures;
- d. There is red tapism in day-to-day operations and no action can be taken unless it goes through the proper channels of authority;
- e. There is a lot of political interference through the ministry;
- f. These organizations are usually insensitive to consumer needs and do not provide adequate services to them.

- **Departmental Undertakings - Example**

- (a) Posts & Telegraph
- (b) Railways
- (c) All India Radio (AIR)
- (d) Doordarshan (TV)
- (e) Ordnance Factories

It may be noted that departmental form of organisation for public enterprises is on its way to oblivion. Most undertakings such as those providing telephone, electricity services are now being converted into government companies, e.g., MTNL, BSNL, and so on.

Statutory Corporations:

- Brought into existence by a Special Act of the Parliament. The Act defines its powers and functions, rules and regulations governing its employees and its relationship with Government departments.
- It is a corporate body created by legislature with defined powers and functions and financially independent with a clear control over a specified area or a particular type of commercial activity.

- o This is a corporate body created by the legislature with defined powers and functions and is financially independent with a clear control over a specified area or a particular type of commercial activity. It is a corporate person and has the capacity of acting in its own name. Statutory corporations therefore have the power of the government and considerable amount of operating flexibility of private enterprises.

Features of Statutory Corporations

- i. Statutory corporations are set up under an Act of Parliament and are governed by the provisions of the Act. The Act defines the objects, powers and privileges of a statutory corporation;
- ii. This type of organisation is wholly owned by the state. The government has the ultimate financial responsibility and has the power to appropriate its profits. At the same time, the state also has to bear the losses, if any;
- iii. A statutory corporation is a body corporate and can sue and be sued, enter into contract and acquire property in its own name;
- iv. This type of enterprise is usually independently financed. It obtains funds by borrowings from the government or from the public through revenues, derived from sale of goods and services. It has the authority to use its revenues;
- v. A statutory corporation is not subject to the same accounting and audit procedures applicable to government departments. It is also not concerned with the central budget of the Government;
- vi. The employees of these enterprises are not government or civil servants and are not governed by government rules and regulations. The conditions of service of the employees are governed by the provisions of the Act itself. At times, some officers are taken from government departments, on deputation, to head these organisations.

Merits of Statutory Corporations

- i. They enjoy independence in their functioning and a high degree of operational flexibility. They are free from undesirable government regulation and control;
- ii. Since the funds of these organizations do not come from the central budget, the government generally does not interfere in their financial matters, including their income and receipts;
- iii. Since they are autonomous organisations they frame their own policies and procedures within the powers assigned to them by the Act. The Act may, however, provide few issues/matters which require prior approval of a particular ministry;
- iv. A statutory corporation is a valuable instrument for economic development. It has the power of the government, combined with the initiative of private enterprises.

Limitations of Statutory Corporations

- i. In reality, a statutory corporation does not enjoy as much operational flexibility as stated above. All actions are subject to many rules and regulations;
- ii. Government and political interference has always been there in major decisions or where huge funds are involved;
- iii. Where there is dealing with public, rampant corruption exists;
- iv. The government has a practice of appointing advisors to the Corporation Board. This curbs the freedom of the corporation in entering into contracts and other decisions. If there is any

disagreement, the matter is referred to the government for final decisions. This further delays action.

- **Statutory Corporations - Example**

- (f) Food Corporation of India
- (g) Industrial Finance Corporation of India
- (h) Life Insurance Corporation of India
- (i) Unit Trust of India
- (j) State Trading Corporation

Government Company

- Established under the Indian Companies Act, 1956.
- Registered and governed by the provisions of the Indian companies Act.
- Not less than 51 percent of the paid up capital is held by the central government, or by any state Governments or 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. Since the government is the major shareholder and exercises control over the management of these companies, they are known as government companies.
- Examples of prominent Government companies in India would include Hindustan Machine Tools (HMT), Coal India, SAIL, NTPC, MTNL, ONGC etc.

- **Features of Government Company**

- (i) It is an organisation created by the Indian Companies Act, 1956;
- (ii) It has a separate legal existence i.e. the company can file a suit in a court of law against any third party and be sued; , can enter into a contract and can acquire property in its own name;
- (iii) The management of the company is regulated by the provisions of the Companies Act, like any other public limited company;
- (iv) Its employees are not civil servants and are appointed according to their own rules and regulations as contained in the Memorandum and Articles of Association of the company. The Memorandum and Articles of Association are the main documents of the company, containing the objects of the company and its rules and regulations;
- (v) These companies are exempted from the accounting and audit rules and procedures. An auditor is appointed by the Central Government and the Annual Report is to be presented in the parliament or the state legislature;
- (vi) The government company obtains its funds from government shareholdings and other private shareholders. It is also permitted to raise funds from the capital market.

- **Merits of Government Company**

- (i) A government company can be established by fulfilling the requirements of the Indian Companies Act. A separate Act in the Parliament is not required;
- (ii) It has a separate legal entity, apart from the Government;

- (iii) It enjoys autonomy in all management decisions and takes actions according to business prudence;
- (iv) These companies by providing goods and services at reasonable prices are able to control the market and curb unhealthy business practices.

- **Limitations of Government Company**

Despite the autonomy given to these companies, they have certain disadvantages:

- (i) Since the Government is the only shareholder in some of the Companies, the provisions of the Companies Act do not have much relevance;
- (ii) It evades constitutional responsibility, which a company financed by the government should have. It is not answerable directly to the Parliament;
- (iii) The government being the sole shareholder, the management and administration rests in the hands of the government. The main purpose of a government company, registered like other companies, is defeated.

- Government Companies - Example
 - (a) Hindustan Machine Tools Limited
 - (b) Steel Authority of India Limited
 - (c) Hindustan Shipyard Limited

Basis Of Difference	Private Sector Enterprises	Public Sector Enterprises
1. Objective	Maximization of profit.	Maximize social welfare and ensure balanced economic development
2. Ownership	Owned by individuals.	Owned by Government.
3. Management	Managed by owner and professional managers	Managed by Government.
4. Capital	Raised by owners through loans, private sources and public issues.	Raised from Government funds and sometimes through public issues.
5. Area of operation	Operates in all areas with adequate return on investment.	Operates in basic and public utility sectors

Basis Of Difference	Departmental Undertakings	Public Corporations	Government Companies
Establishment	By a Ministry	By the Parliament under a special Act	By a Ministry with or without private participation

Legal Status	No separate entity distinct from the Government	Separate entity to sue and be sued	Separate corporate existence
Capital	Provided out of budgetary appropriation	Provided wholly by the Government	Part of it may be provided by private entrepreneurs
Management	Government official from the Ministry concerned	Board of Directors	Board of Directors may include private individuals
Control and Accountability	Control vests with the Ministry and the Ministry concerned	Parliament	Government (Ministry concerned)
Autonomy	No autonomy. Works as a part and parcel of government	No governmental interference in day-to-day affairs	Some freedom from governmental interference
Suitability	Defense, public utilities	Heavy industries & service providing enterprises with long gestation period	All types of industrial and commercial enterprises

Global Enterprises/Multi National Enterprises:

- It is a company which carries on business not only in the country of its incorporation but also in one or more other countries. These are huge industrial organizations which extend their industrial and marketing operations through a network of their branches in several countries. They may produce goods or arrange services in one or more countries and sell these in the same or other countries.
- Examples = Philips, LG, Hyundai, General Motors, Coca Cola, Nestle, Sony, McDonald's City Bank, Pepsi Foods, Cadbury, etc.
- **Features of Multinational Companies**
 - a. Huge capital resources.
 - b. Foreign collaboration: w.r.t sale of technology, production of goods, use of brand names etc.
 - c. Advanced Technology.
 - d. Product innovation: because of access to highly sophisticated R&D departments.
 - e. Marketing strategies.
 - f. Expansion of market territory.
 - g. Centralized control.

Joint Venture

Meaning:

- Business organisations, if it so desires can join hands with another business organisation for mutual benefit.

- These two organisations 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.
- Businesses of any size can use joint ventures to strengthen long-term relationships or to collaborate on short term projects.
- A joint venture can be flexible depending upon the party's requirements. The risks and rewards of the business are also shared.

Reasons:

- Business expansion
- Development of new products or moving into new markets.

Types:

- Contractual joint venture – Cooperation Agreement/ Strategic Alliance
- Equity-based joint venture- Company; Limited Liability Partnership; Partnership

Contractual Joint Venture (CJV):

In a contractual joint venture, a new jointly-owned entity is not created. There is only an agreement to work together. The parties do not share ownership of the business but exercise some elements of control in the joint venture. A typical example of a contractual joint venture is a franchisee relationship.

Key **elements** are:

- (a) Two or more parties have a common intention – of running a business venture;
- (b) Each party brings some inputs;
- (c) Both parties exercise some control on the business venture; and
- (d) The relationship is not a transaction-to-transaction relationship but has a character of relatively longer duration.

Equity-based Joint Venture (EJV):

An equity joint venture agreement is one in which a separate business entity, jointly owned by two or more parties, is formed in accordance with the agreement of the parties. The key operative factor in such case is joint ownership by two or more parties.

The form of business entity may vary – company, partnership firm, trusts, limited liability partnership firms, venture capital funds, etc.

Elements:

- (a) There is an agreement to either create a new entity or for one of the parties to join into ownership of an existing entity;
- (b) Shared ownership by the parties involved;
- (c) Shared management of the jointly owned entity;
- (d) Shared responsibilities regarding capital investment and other financing arrangements; and (e) Shared profits and losses according to the agreement.

Examples of Joint Ventures:

AVI Oil India Pvt. Ltd. , (Balmer Lawrie & Co. Ltd., NYCO SA, France)

Green Gas Ltd.,(GAIL (India) Ltd. and IOCL)

Benefits:

- Increased resources and capacity
- Access to new markets and distribution networks
- Access to technology

- Innovation
- Low cost of production
- Established brand name



Public Private Partnership (PPP)

Meaning: PPP is, therefore, defined as a relationship between public and private entities in the context of infrastructure and other services

- The Public Private Partnership model allocates tasks, obligations and risks among the public and private partners in an optimal manner.
- The public partners in PPP are Government entities, i.e., ministries, government departments, municipalities or state owned enterprises.
- The private partners can be local or foreign (international) and include businesses or investors with technical or financial expertise relevant to the project.
- PPP also includes NGOs and/or community based organisations who are the stakeholders directly affected by the project.
- 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.
- The government's contribution to PPP is in the form of capital for investment and transfer of assets that support the partnership in addition to social responsibility, environmental awareness and local knowledge.
- 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.
- Examples include power generation and distribution, water and sanitation, refuse disposal, hospitals, school buildings etc.

PPP Model Features

- Contract with the private party to design and build public facility.
- Facility is financed and owned by the public sector.
- Key driver is the transfer of design and construction risk.

Application

- Suited to capital projects with small operating requirement.
- Suited to capital projects where the public sector wishes to retain the operating responsibility.

Strengths

- Transfer of design and construction risk.
- Potential to accelerate project.

Weaknesses

- Conflict between parties may arise on environmental considerations
- Does not attract private finance easily.

Chapter 4: Business Services

Services: Separately identifiable, essentially intangible activities that provide satisfaction of wants, and are not necessarily linked to the sale of a product or another service.

Nature of Services:

- Intangibility:** they cannot be touched. They are experiential in nature
- Inconsistency:** services have to be performed exclusively each time. Different customers have different demands and expectations. Service providers need to have an opportunity to alter their offer to closely meet the requirements of the customers.
- Inseparability:** simultaneous activity of production and consumption
- Inventory (less):** cannot be stored for a future use. That is, services are perishable and providers can, at best, store some associated goods but not the service itself.
- Involvement:** participation of the customer in the service delivery process

Basis of difference between goods and services:

- | | |
|------------------|-------------------------------|
| • Nature | • Homogenous Vs Heterogeneous |
| • Tangibility | • Inconsistency |
| • Inseparability | • Inventory |
| • Involvement | |

Types of services:

- Business Services
 - Social services
 - Personal services
- Business Services:** used by business enterprises for the conduct of their activities
 - Social services:** services that are generally provided voluntarily in pursuit of certain social goals eg to improve the standard of living for weaker sections of society or to provide health care etc.
 - Personal services:** services which are experienced differently by different customers. For example, tourism, recreational services, restaurants

Examples of Business services:

- Banks for availability of funds; Insurance companies for getting their plant, machinery, goods, etc., insured; Transport companies for transporting raw material and finished goods; Telecom and postal services for being in touch with their vendors, suppliers and customers.

I. Banking:

- Banking means 'accepting, for the purpose of lending and investment of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheques, draft, order or otherwise.'

- Types of Bank Accounts:**

1. Savings Account:

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

2. Current Deposit

- *Purpose:* To suit the needs of business men
- *Return:* No Interest is paid rather service charges are paid by the holder
- *Benefit:* Anytime withdrawal or deposit, Overdraft facility

3. Recurring Deposit

- *Modus operandi:* Depositors deposit money on monthly basis for a fixed period of time
- *Return:* Interest is paid at a higher rate decided by the bank
- *Benefit:* Rate of interest is higher

4. Fixed Deposit

- *Modus operandi:* Depositors deposit money once for a fixed period of time
- *Return:* Interest is paid at a higher rate decided by the bank. Rates of interest changes from time to time
- *Benefit:* saving with returns

5. Multiple Option Deposit Account

- *Modus operandi:* combination of savings and fixed deposit account. on standing instructions the money automatically gets transferred to fixed deposit account
- *Return:* Interest is paid at a higher rate decided by the bank. Rates of interest changes from time to time
- *Benefit* in case sufficient amount of funds are not available in the savings account to honour a cheque, money automatically gets transferred from fixed deposit account.

- Functions of Commercial Bank:**

- a. Acceptance of Deposits:

- The most important activity of a commercial Bank is to mobilize deposits from the public. People who have surplus income and savings find it convenient to deposit the same with Banks. An interest is usually paid on the amount deposited.
- If the rate of interest is higher, public are motivated to deposit more funds with the bank.
- There is also safety of funds deposited with the bank.

- b. Lending Of Funds:
- Short, medium and long term loans are granted to industry, trade and commerce.
 - Such loans and advances are given to members of the public and to the business community at a higher rate of interest than allowed by banks on various deposit accounts.
 - The rate of interest charged on loans and advances varies according to the purpose and period of loan and also the mode of repayment.
- c. Cheque Facility: The depositors can withdraw their amount using cheques or draft/clearing slip.
- d. Remittance of Funds: The transfer of funds is administered by using bank drafts, pay orders or mail transfers, on nominal commission charges. The bank issues a draft for the amount on its own branches at other places or other banks at those places. The payee can present the draft on the drawee bank at his place and collect the amount.
- e. Allied Services. (such as bill payments, locker facilities etc)
- Banks pay insurance premiums, collect dividends, pensions of their customers.
 - They also act as custodians by providing protection to valuable articles of their clients by offering locker facilities where valuable non-liquid assets such as gold can be stored.
- f. Real Time Gross Settlement (RTGS):
- Refers to a funds transfer on time and gross basis.
 - **Real time** = transactions are settled as soon as they are processed; i.e there is no waiting period.
 - Available for transactions within India only.
 - **Gross settlement** = the transactions are settled on one to one basis without bunching with any other transaction.
 - Fastest method of transfer of funds. Once processed transactions are final and irrevocable.
- g. **Some important services provided by Banks:**
- a. Issue Of Bank Draft –
- A bank draft is a financial instrument through which money can be remitted from one person to another.
 - The banks charge some commission for issuing bank drafts.
 - A bank draft can be obtained by a person from a bank by either depositing the required amount and commission charges or by issuing a cheque for the required amount + commission if the person has an account in the same branch. is
- b. Banker's Cheque (Pay Order) –
- It is an order that instructs a bank to pay a certain sum to a third party.
 - It is a kind of a Bank Draft which is payable within the same town and so the commission charged on it is lower than that charged on a Bank Draft.
- c. Bank Overdraft –
- A customer who has a current account with the bank is allowed to withdraw more than the amount of credit balance in his account. It is a temporary arrangement. Overdraft facility with a specified limit may be allowed either on the security of assets, or on personal security, or both.

c. Cash Credits -

- Bank allows the borrower to draw amount upto a specified limit.
- The amount is credited to the account of the customer which he can withdraw as and when he requires.
- Interest is charged on the amount actually withdrawn

d. Real Time Gross Settlement (RTGS):d. National Electronic Funds Transfer (NEFT):

- Nationwide system that facilitates individuals and firms to electronically transfer funds from one to another, any branch and any bank.
- This scheme is available in major cities of the country.
- The settlement takes place at regular intervals. Account holders can transfer fund through this system by the internet facility provided by the bank.

e. E-Banking:

- Electronic banking or banking using the electronic media. It allows a customer to conduct banking transactions, such as managing savings, checking accounts, applying for loans or paying bills over the internet using a computer/mobile.
- The range of services offered by e-banking are: Electronic Funds Transfer (EFT), Automated Teller Machines (ATM) and Point of Sales (PoS), Electronic Data Interchange (EDI) and Credit Cards Electronic or Digital cash.
- **Benefits of e-banking:** e-banking offers several benefits to both banks as well as the customers.
 - To customers:
 - a. Provides 24 hours 365 days a year services
 - b. Permitted transactions from office or house or while travelling
 - c. Sense of financial discipline by recording each and every transaction
 - d. Greater customer security and less risk as they can avoid travelling with cash.
 - To bank:
 - a. Provides competitive advantage
 - b. Provides unlimited network
 - c. Load on branches reduced by establishing centralised data base and taking over accounting functions

II. Communication Services:

- Communication services are helpful to business for establishing links with the outside world viz., suppliers, customers, competitors etc. The main services which help business can be classified into postal and telecom.
- **Postal Services:** Various facilities provided by postal department are broadly categorized into:

Mail facilities: Deals with collection of letters and parcels from the sender to distribute among the receivers w.r.t both inland and international mails. It consists of

a. Parcel facilities –

- Reliable and economical mission of articles from one place to another.
- Can be sent across the country as well as outside the country.
- Postal charges vary according to the weight of the parcel.

b. Registration facility –

- Provide security of the transmitted articles.
- On receiving the mail the post office immediately issues a receipt to the sender, which also serves as a proof that the mail has been posted.
- If the sender wants to have intimation then an “Acknowledgement Due Card” can be sent along with the registered mail.
- This form is signed by the receiver (addressee) on delivery of the article and returned to the sender by post

c. Speed Post –

- Time-bound as well as guaranteed mail delivery.
- The post office charges relatively more postage for speed post than that of ordinary mail and it varies according to distance
- It has over 1000 destinations in India and links with 97 major countries across the globe.

Private courier services

- Private operators who provide mail services to the public. They collect letters and parcels and deliver them at the place of the addressee.
- No postage is required to be affixed on letters and parcels if sent through couriers.
- The charges payable for private courier service are generally higher in comparison to post office.
- Private couriers are popular in big cities and towns.
- The main features of private couriers services are as follows:
 - i. It provides a quick means of communication.
 - ii. It provides facilities for national as well as international communication.
 - iii. All kinds of articles are handled by it except gold and jewellery.
 - iv. Besides using railways, roadways and airways for carriage of articles, some agencies use telephone, telex and fax services for transmission of messages.
 - v. It undertakes full responsibility of safe and timely delivery of articles.
 - vi. It collects articles from the doorstep of senders and delivers them to the receivers

Telecom Services:

- Government intends to provide both universal services to all uncovered areas and high-level services for meeting the needs of the country's economy.
- The various types of telecom services are of the following types: Cellular Mobile Services, Radio Paging Services, Fixed line services, Cable Services, VSAT Services, DTH services.

- 1) **Cellular mobile services:** all types of mobile telecom services including voice and non-voice messages, data services and PCO services

2) **Fixed line services:**

- These are all types of fixed services including voice and non-voice messages
- These utilize any type of network equipment primarily connected through fiber optic cables laid across the length and breadth of the country.
- They also provide inter connectivity with other types of telecom services.

3) **Cable services:**

- Essentially one way entertainment related services.
- Offering services through the cable network would be similar to providing fixed services.

4) **VSAT services:**

- VSAT (Very Small Aperture Terminal) is a satellite-based communications service.
- It offers businesses and government agencies a highly flexible and reliable communication solution in both urban and rural areas.
- Offers the assurance of reliable and uninterrupted service that is equal to or better than land-based services.
- It can be used to provide innovative applications such as tele-medicine, newspapers-on-line, market rates and tele-education even in the most remote areas of our country.

5) **DTH services:**

- DTH (Direct to Home) is again a satellite based media services provided by cellular companies.
- One can receive media services directly through a satellite with the help of a small dish antenna and a set top box.
- The service provider provides multiple channels that can be viewed on our television without being dependent on the services provided by the cable network services provider.

III. **Insurance:**

Risk: unexpected happening of some future event.

Business Risks: = possibility of inadequate profits or even losses due to uncertainties or unexpected events that are beyond the control of business.

- Uncertainties: e.g. w.r.t demand for goods, changes in technology etc.
- Unforeseen events = fire, thefts etc.
- Unexpected events = damage of goods in transit, stoppage of work due to power failure
- Other factors = change in interest rates etc.

For Insurance, Business Risk may be:

- **Insurable** – those risks that can be covered by insurance on payment of a nominal amount of premium e.g. risk of loss due to fire, theft etc.
- **Non-insurable risks** - risks that cannot be covered by insurance e.g. those due to decline in demand.
- Example: Ramesh runs a business of selling leather and has rented a godown in which he stores, on an average, leather worth Rs 8, 00,000. He wanted to get the godown and his goods insured against the risk of loss due to fire and approaches Oriental Insurance Co and General Insurance Corp of India. On payment of a premium of Rs 10,000, he gets a policy of Rs 2,00,000 from Oriental Insurance and on payment of Rs 30,000, he gets a policy of Rs 6, 00,000 from GIC of India. On the 24th of July, there was a fire in the godown and he lost stock worth Rs 4, 00,000. The insurance companies admitted to and paid the amount due. Out of the burnt stock, he managed to salvage scrap leather worth Rs 20,000.
- **Terms Used in Insurance:**
 1. **Insurer** = person/firm who insures. Also called the assured (in case of life insurance). Insurer in the above case is OIC and GIC of India.
 2. **Insured**: person whose risk is insured. Also called assured in case of life insurance. In this case, it's Ramesh.
 3. **Insurance Contract**: contract in which the insurance company agrees to indemnify the insured on the happening of a certain event in consideration for a specified amount.
 4. **Insurance Policy**: document that contains all the terms and conditions of insurance and risks covered under insurance.
 5. **Insurance Premium**: consideration in return for which the insurer agrees to make good the loss. (Rs 10,000 and Rs 30,000 in the given example.)
 6. **Sum Insured/Assured**: amount for which the insurance policy is taken. (Rs 2,00,000 and Rs 4,00,000 in these cases)
 7. **Term of Policy**: period for which the insurance policy is taken.

<u>Insurance</u>	<u>Assurance</u>
Insurance must suffer damage or loss to claim the compensation.	Sum assured is bound to be paid whether assured suffers a loss or not.
Risk is uncertain i.e. may or may not happen.	Risk is certain i.e. is bound to happen.
Compensation is paid only on the happening of a certain event e.g. fire in case of fire insurance.	Certain sum is to be paid on the happening of an event that is sure to happen, e.g. life insurance.

Insurance can be defined as:

- 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.
- It is a contract or agreement under which one party agrees in return for a consideration to pay an agreed amount of money to another party to make good a loss, damage or injury to something of value in which the insured has a pecuniary interest as a result of some uncertain event.

Fundamental principle of insurance:

- An individual or a business concern chooses to spend a definitely known sum in place of a possible huge amount involved in an indefinite future loss. It is a form of risk management primarily used to safe guard against the risk of potential financial loss.

Functions of Insurance:

Providing certainty (of receiving payment for the loss sustained)

- Protection (from probable chances of loss)
- Risk sharing (loss is shared by all those exposed to it by way of obtaining premiums from them)
- Assist in capital formation (premiums collected by the insurer are invested in the economy)

Principles of Insurance**1) UTMOST GOOD FAITH:**

- A contract of insurance is a contract of *uberrimae fidei* i.e., a contract founded on utmost good faith.
- Both the insurer and the insured should display good faith towards each other in regard to the contract.
- It is the duty of the insured to voluntarily make full and accurate disclosure of all facts, which can affect the mind of an insurer in deciding to accept the proposal of insurance or in fixing the rate of premium.
- Failure to make disclosure of material facts by the insured makes the contract of insurance voidable at the discretion of the insurer.
- Example: A person must disclose the diseases suffered by him/her to the insurer before taking an insurance policy.

2. INSURABLE INTEREST:

- The insured must have an insurable interest in the subject matter of insurance.
- *Insurable interest* means some pecuniary (financial) interest in the subject matter of the insurance contract.
- The insured must have an interest in the preservation (survival) of the thing or life insured, so that he/she will suffer financially on the happening of the event against which he/she is insured.
- For example, a trustee holding property on behalf of others has an insurable interest in the property.
 - In case of life insurance the insurable interest must exist at the time of taking the policy, not necessarily at the time of taking the claim.
 - In fire insurance contract, the insurable interest must exist both at the time of taking the policy and claiming the compensation.
 - In marine insurance contract, the insurable interest must exist at the time of claiming the compensation.

3. INDEMNITY:

- All insurance contracts of fire or marine insurance are contracts of indemnity.
- According to it, the insurer undertakes to put the insured, in the event of loss, in the same position that he occupied immediately before the happening of the event.

- In other words, the insurer undertakes to compensate the insured for the loss caused to him/her due to damage or destruction of property insured.
- The principle of indemnity is not applicable to life insurance.

4. PROXIMATE CAUSE:

- According to this principle, an insurance policy is designed to provide compensation only for such losses as are caused by the perils (causes) which are stated in the policy.
- In other words, when the loss is the result of two or more causes, the proximate cause means the direct, the most dominant and most effective cause of which the loss is the natural consequence.
- For example, all passengers travelling by aero plane are insured against death caused by plane crash. If a passenger dies during the course of flight due to heart attack, the insurer is not liable to pay for the compensation for death of the passenger under the provisions of the air flight contract.
- A shoe manufacturing unit was insured against fire. During the year a fire broke out and some stock of shoes were damaged due to fire. Due to chaos in the factory, some employees, took advantage of the situation, and stole shoes. When the claim was made the insurance company agreed to pay only for the loss caused by damage of the goods due to fire, not for the loss caused due to theft caused by fire, not being a direct cause of loss.

5. SUBROGATION:

- It refers to the right of the insurer to stand in the place of the insured, after settlement of a claim, as far as the right of insured in respect of recovery from an alternative source is involved.
- 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.
- 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.

6. CONTRIBUTION:

- As per this principle it is the right of an insurer who has paid claim under insurance, to call upon other liable insurers to contribute for the loss of payment.
- It implies, that in case of *double insurance* (when insurance for same article is taken from two different insurance companies), the insurers are to share the losses in proportion to the amount assured by each of them.
- However in no case can the insured claim compensation more than the actual loss suffered.
- Example: suppose X has taken fire insurance policy on the same property of the following value (compensation) from 3 different insurers.
Co. A: Rs. 50,000 ; Co. B: Rs. 30,000 and Co. C: Rs. 20,000
Total amount of insurance: Rs. 1,00,000
He suffers a loss of Rs. 50,000 due to fire. The liability of each insurer will be calculated as follows:

$$\frac{\text{Sum insured by each insurer}}{\text{Total sum insured by all insurers}} \times \text{Amount of loss}$$

$$\text{Co. A: } \frac{50,000}{1,00,000} \times 50,000 = \text{Rs. 25,000}$$

$$\text{Co. B: } \frac{30,000}{1,00,000} \times 50,000 = \text{Rs. } 15,000$$

$$\text{Co. C: } \frac{20,000}{1,00,000} \times 50,000 = \text{Rs. } 10,000$$

Thus the total amount of compensation received by X cannot be more than his actual amount of loss, i. e. Rs. 50,000.

7. MITIGATION:

- This principle states that it is the duty of the insured to take reasonable steps to minimise the loss or damage to the insured property.
- For example: goods kept in a store house catch fire, then the owner of the goods should try to recover the goods and save them from fire to minimise the loss or damage.
- The insured must behave with great prudence and not be careless just because there is an insurance cover.
- Example: if it is found that suitable fire safety devices are not installed in a crackers factory, claim cannot be made if there is a fire.

Types of Insurance

1. Life insurance:

- A contract in which the insurer, in consideration of a certain premium, either in a lump sum or by other periodical payments, agrees to pay to the assured, or to the person for whose benefit the policy is taken, the assured sum of money, on the happening of a specified event contingent on the human life or at the expiry of a certain period.
- Provides protection to the family at premature death of an individual or gives adequate amount at an old age when earning capacities are reduced.
- The insurance is not only a protection but is a sort of investment because a certain sum is returnable to the insured at the time of death or at the expiry of a certain period.
- The main elements of a life insurance contract are:
 - a. Must have all the essentials of a valid contract.
 - b. It is a contract of utmost good faith.
 - c. The insured must have insurable interest in the life assured.
 - d. It is not a contract of indemnity
- **Types of life insurance policies:**
 - i. Whole Life assurance: Sum assured is only paid on the death of the assured.
 - ii. Endowment type plans: the insurer pays a particular sum at the death of the person or on attaining a particular age or on expiry of a fixed period of time whichever is earlier.
 - iii. Combination of Whole Life and Endowment type plans
 - iv. Children's Assurance plans: a certain amount is paid when the children attain a particular age.
 - v. Annuity plans: after a certain number of years, a fixed amount is paid to the assured periodically.

2. Fire insurance:

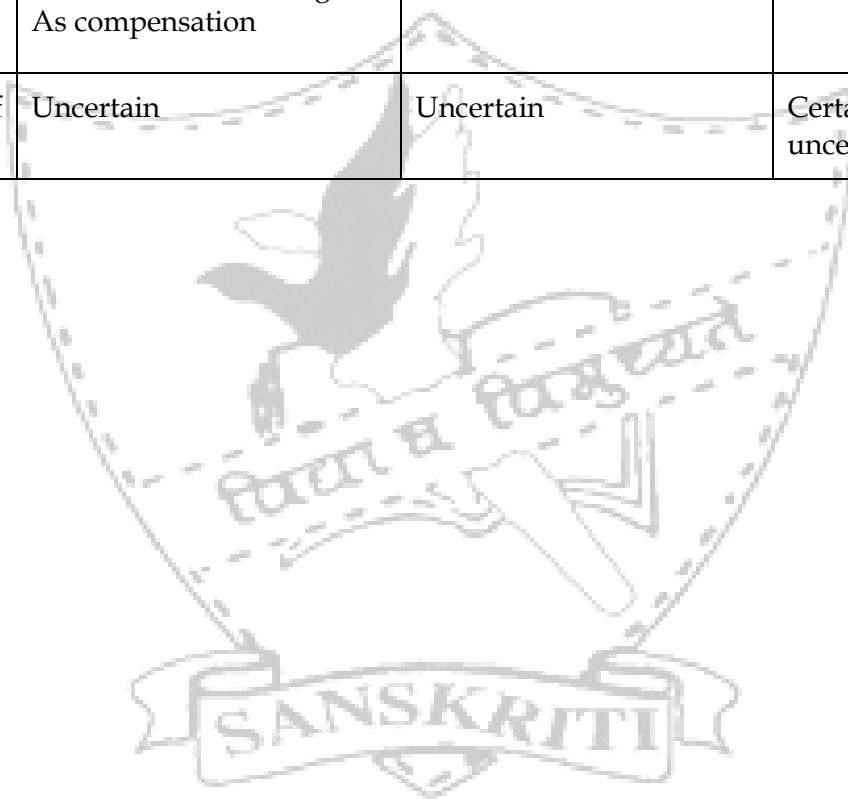
- The insurer, in consideration of the premium paid, undertakes to make good any loss or damage caused by a fire during a specified period up to the amount specified in the policy.
- The main elements of a fire insurance contract are:
 - (i) The insured must have insurable interest in the subject matter of the insurance.
 - (ii) Is a contract of utmost good faith i.e. uberrimae fidei.
 - (iii) Is a contract of strict indemnity.
 - (iv) The insurer is liable to compensate only when fire is the proximate cause of damage or loss.

3. Marine insurance:

- An agreement whereby the insurer undertakes to indemnify the insured in the manner and to the extent thereby agreed against marine losses.
- Marine insurance provides protection against loss by marine perils or perils of the sea.
- There are three types of Marine Insurance Policy:
 - Cargo Insurance: includes the cargo or the goods contained in the ship and the personal belongings of the crew and passengers.
 - Ship or hull Insurance: the whole ship (i.e. the vessel and its equipments) is insured.
 - Freight Insurance: provides protection against the loss of freight. If the goods are lost in transit, the shipping company may lose its freight as in many cases, the owners of goods only pay when the goods are delivered safely to the port.
- The main elements of a marine insurance contract are:
 - (i) Marine insurance is a contract of indemnity.
 - (ii) Marine insurance is a contract of utmost good faith.
 - (iii) Insurable interest must exist at the time of loss.
 - (iv) The principle of causa proxima will apply to it.

Basis	Fire Insurance	Marine Insurance	Life Insurance
1. Subject matter	Physical asset/property	Ship/cargo/freight	Human life
2. Element	Has only the element of protection and not the element of investment.	Has the element of protection	Has both elements of protection and investment
3. Insurable interest	Should be present both at the time of taking the policy as well as at the time of loss.	Exist at the time of loss.	Present at the time of taking up the policy.
4. Duration	Usually for 1 year.	Usually for one period of voyage or mixed.	Long term
5. Indemnity	It is a contract of indemnity. The insured	It is a contract of indemnity. The insured	It is not based on the principle of indemnity.

	can claim only the actual amount of loss	can claim only the actual market value of the ship and cost of goods destroyed at sea	The sum assured is paid either on the happening of certain event or on maturity of the policy.
6. Loss measurement	Loss is measurable	Loss is measurable	Loss is not measurable
7. Surrender	Cannot be surrendered.	Cannot be surrendered.	Can be surrendered before maturity.
8. Policy amount	Cannot exceed Value of subject matter -Amount insured or Actual loss whichever is less is given As compensation	Cannot exceed Market value of ship/cargo.	Any amount
9. Contingency of risk	Uncertain	Uncertain	Certain but time is uncertain.



Chapter 5: Emerging Modes of Business

- E-business and outsourcing are the two most obvious expressions of the changing Business environment.
- The trigger for the change owes its origin to both internal and external forces.
 - Internally, it is the business firm's own quest for improvement and efficiency that has propelled it into e-business and outsourcing.
 - Externally, the ever mounting competitive pressures and ever demanding customers have been the force behind the change.
- Electronic mode of doing business, or e-business as it is referred to, presents the firm with promising opportunities for anything, anywhere and anytime to its customers, thereby, dismantling the time and space/location constraints on its performance.

MEANING AND DEFINITION OF E-COMMERCE

- ✓ With the technology advancing at a fast rate, more and more people are learning to utilize the Internet for their day to day needs. Here ecommerce websites help millions of people searching for your kind of product or services online.
- ✓ **E-COMMERCE** or electronic commerce, a subset of e business, is the purchasing, selling, and exchanging of goods and services over computer networks (such as the Internet) through which transactions or terms of sale are performed electronically. For online retail selling, the term e-tailing is sometimes used
- ✓ **Resources required for successful e-business implementation:**
 - Setting up of any business requires money, men and machines (hardware).
 - For e-business, you require additional resources for developing, operating, maintaining and enhancing a website where 'site' means location and 'web' means world wide web (www).
 - A website is a firm's location on the World Wide Web. It is not a physical location. Rather, it is an online embodiment of all the content that a firm may like to provide to others.
- ✓ **Difference between Traditional Business and E-business: Basis**

a. Ease of Formation	h. Response time for meeting customers/internal requirements
b. Physical Presence	i. Business processes and length of cycle /Dealing Time
c. Locational requirements	j. Opportunity for physical presampling of products
d. Cost of Establishment	k. Nature of Human capital
e. Operating cost	l. Government Help
f. Nature of contact with the suppliers and customers/ Opportunity for interpersonal touch	m. Global Reach
g. Nature of internal communication (whether hierarchy of organizational structure is followed strictly or not)	n. Transaction Risks

SCOPE OF E-BUSINESS

E-Business can be broken into four main categories: B2B, B2C, C2B, and C2C.

✓ **B2B (Business-to-Business):**

- Companies doing business with each other such as manufacturers selling to distributors and wholesalers selling to retailers.
- Pricing is based on quantity of order and is often negotiable.

✓ **B2C (Business-to-Consumer):**

- Businesses selling to the general public typically through catalogs utilizing shopping cart software.
- By dollar volume, B2B takes the price, and the consumer to do the transaction

✓ **C2B (Consumer-to-Business):**

- A consumer posts his project with a set budget online and within hours companies review the consumer's requirements and bid on the project.
- The consumer reviews the bids and selects the company that will complete the project.
- C2B empowers consumers around the world by providing the meeting ground and platform for such transactions.

✓ **C2C (Consumer-to-Consumer):**

- There are many sites offering free classifieds, auctions, and forums where individuals can buy and sell things to online payment systems like Pay Bill where people can send and receive money online with ease.
- eBay's auction service is a great example of where person-to-person transactions take place every day since 1995.
- Companies using internal networks to offer their employees products and services online not necessarily online on the Web are engaging in B2E (Business-to-Employee) ecommerce.

Benefits of e-business	Limitations of e-business
<ul style="list-style-type: none"> • Ease of formation and lower investment requirements • Convenience- 24*7*365 • Speed • Global reach/access • Movement towards a paperless Society 	<ul style="list-style-type: none"> • Low personal touch • Incongruence between order taking/giving and order fulfilment speed • Need for technology capability and competence of parties to e-business • Increased risk due to anonymity and non- traceability of parties: • People resistance • Ethical fallouts

ONLINE TRANSACTION: PROCESS

1. Registration
2. Placing an order
3. Payment mechanism

1. Registration:

- a. Registration means that you have an 'account' with the online vendor. Among various details that need to be filled in is a 'password' as the sections relating to your 'account', and 'shopping cart' are password protected. Otherwise, anyone can login using your name and shop in your name.

2. Placing an order:

- a. Shopping cart is an online record of what you have picked up while browsing the online store. Just as in a physical store you can put in and take items out of your cart, likewise, you can do so even while shopping online. After being sure of what you want to buy, you can 'checkout' and choose your payment options.

3. Payment mechanism

- **Cash on Delivery:**
- **Cheque**
- **Net banking transfer:** facility of electronic transfer of funds over the net. In this case, therefore, the buyer may transfer the amount for the agreed price of the transaction to the account of the online vendor who may, then, proceed to arrange for the delivery of goods.
- **Credit/debit card** Credit card allows its holder to make purchase on credit. The amount due from the card holder to the online seller is assumed by the card issuing bank, who later transfers the amount involved in the transaction to the credit of the seller. Debit card allows its holder to make purchases through it to the extent of the amount lying in the corresponding account. The moment any transaction is made, the amount due as payment is deducted electronically from the card.
- **Digital cash:** This is a form of electronic currency that exists only in cyberspace. This type of currency has no real physical properties, but offers the ability to use real currency in an electronic format. First you need to pay to a bank (vide cheque, draft, etc.) an amount equivalent to the digital cash that you want to get issued in your favour. Then the bank dealing in e-cash will send you special software (you can download on your hard disk) that will allow you to draw digital cash from your account with the bank. You may then use the digital funds to make purchases over the web. This type of payment system hopes to resolve the security problems related to the use of credit card numbers on the internet.

Security and Safety of E- Business Transactions: E Business Risks:

Risk refers to the probability of any mishappening that can result into financial, reputational or psychological losses to the parties involved in a transaction. Because of greater probability of such risks in the case of online transactions, security and safety issues becomes the most crucial concern in e-business. One may broadly discuss these issues under three headings:

- a. Transaction risk
- b. Data storage and transmission risk
- c. Risks of threat to intellectual property and privacy

a. Transaction risks:

- Seller denies that the customer ever placed the order or the customer denies that he ever placed the order. This may be referred to as '*default on order taking/giving*'.
- The intended delivery does not take place, goods are delivered at wrong address, or goods other than ordered may be delivered. This may be regarded as '*default on delivery*'.
- Seller does not get the payment for the goods supplied whereas the customer claims that the payment was made. This may be referred to as '*default on payment*'.

Thus, in e-business risk may arise for the seller or the buyer on account of default on order taking/giving, delivery as well as payment. Such situations can be averted by providing for identity and location/address verification at the time of registration, and obtaining authorisation as to the order confirmation and payment realisation.

b. Data storage and transmission risks:

- Vital information may be stolen or modified to pursue some selfish motives or simply for fun. There are also VIRUSs and . 'VIRUS' means **Vital Information under Siege**.
- It is a program (a series of commands) which replicates itself on the other computer systems. Installing and timely updating anti-virus programmes and scanning the files and disks with them provide protection to your data files, folders and systems from virus attacks.
- Data may be intercepted in the course of transmission. For this, one may use *cryptography*. It refers to the art of protecting information by transforming it (encrypting it) into an unreadable format called 'cyphertext'. Only those who possess a secret key can decipher (or decrypt) the message into 'plaintext'. This is similar to using 'code words' with someone so that others do not understand your conversation.

c. Risks of threat to intellectual property and privacy:

- Internet is an open space. Once the information is available over the internet, it moves out of the private domain. It then becomes difficult to protect it from being copied. Data furnished in the course of online transactions may be supplied to others who may start dumping a host of advertising and promotional literature into your e-mail box. You are then at the receiving end, with little respite from receiving junk mails.

OUTSOURCING:

- Outsourcing is any task, operation, job or process that could be performed by employees within your company, but is instead contracted to another party for a significant period of time. It is long-term contracting out generally the non-core and of late even some of the core activities to captive or third party specialists with a view to benefitting from their experience, expertise, efficiency and, even investment.
- The most common model of outsourcing that is in the news today refers to jobs that are being sent overseas to countries like India or China. This is more commonly called **off shoring**.
- Examples include telephone call centers, tech-support and computer programming. Usually, BPO is implemented as a cost-saving measure that a company requires to maintain its position in the marketplace.
- Outsourcing may be:
 - Business Process Outsourcing(BPO)
 - Knowledge Process Outsourcing(KPO)
- Together, the two trends of e-business and outsourcing are reshaping the way business is and will be conducted. Interestingly, both e- business and outsourcing are continuing to evolve, and that is why these are referred to as the emerging modes of business.
 - ***Business Process Outsourcing:***
- Business process outsourcing (BPO) can be defined as the act of giving a other party responsibility of performing what would otherwise be an internal system or service. For instance,
 - An insurance company might outsource their claims processing program or
 - A bank might outsource their loan processing system.
 - Other common examples of BPO are call centres and payroll outsourcing.
- This cuts the operational costs considerably resulting into huge profits. BPO's are inclined to provide better customer satisfaction leading to customer retention, increased productivity, deal with competition effectively and in turn increase profitability. There are many kinds of work that can be outsourced to BPO's for e.g. Call/Help Centers, Medical Transcription, Billing, Payroll, Processing, Data Entry, IT Services, Human Resources (HR) functions, etc.
- Companies that are looking at business process outsourcing are hoping to achieve cost savings by handing over the work to a third-party that can take advantage of economies of scale by doing the same work for many companies. Or perhaps the cost savings can be achieved because labour costs are lower due to different costs of living in different countries.
- BPO is often divided into two categories:
 - Back office outsourcing which includes internal business functions such as billing or purchasing
 - Front office outsourcing which includes customer-related services such as marketing or technical support. BPO.
- It provides wide range of tactical, powerful, flexible tools which in turn helps in achieving the business objectives in a cost effective and efficient manner.

Business Process Outsourcing(BPO):	
Scope of BPO- Key Segments:	Need for outsourcing/ Benefits of BPO:
<ul style="list-style-type: none"> Contract manufacturing Contract research Contract sales Contract informatics 	<ul style="list-style-type: none"> Focusing of attention Quest for excellence Cost reduction Growth through alliance Flip to economic development
Features of BPO:	Concerns over Outsourcing:
<ul style="list-style-type: none"> Involves contracting out Generally non core activities are contracted out Processes may be outsourced to a captive unit or a third party 	<ul style="list-style-type: none"> Confidentiality Sweat shopping Ethical concerns Resentment in home countries

Knowledge Process Outsourcing:

- It refers to getting high end knowledge work done from outside the organisation in order to run the business successfully and in a cost effective manner. KPO is the upward shift of BPO in the value chain. "Unlike conventional BPO where the focus is on process expertise, in KPO, the focus is on knowledge expertise."
- Knowledge process can be defined as high added value processes chain where the achievement of objectives is highly dependent on the skills, domain knowledge and experience of the people carrying out the activity.
- KPO is involved in services like valuation and investment research, patent filing, legal and insurance etc. Examples of KPO include accounting, market and legal research, Web design and content creation. KPO and BPO are often conducted through off-shore outsourcing as corporations seeking the most value for the least money source projects to countries where wages are lower. Because KPO jobs may bring in more money to the economy as BPO, countries such as India are actively promoting development of that industry.
- Knowledge process outsourcing jobs, in comparison, are typically integrated with an organization's core competencies. The jobs involve more complex tasks and may require an advanced degree and/or certification.

Features of KPO:

- The focus is on knowledge expertise
- Outsourcing of knowledge based operations on a contract basis
- The companies look for individuals who are a homogenous mix of knowledge, work experience and English speaking skills
- Examples are: investment research, business research services, data analytics, legal process outsourcing.

DIFFERENCE BETWEEN KPO AND BPO

. Basis	BPO	KPO
Basis of specialization	BPO industry is more about size, quantity and competence.	KPO require expertise having domain knowledge. They are highly skilled and business experts as they handle more dexterous work which requires experience
Skills	Employees in BPO are not- so-qualified as it focuses on communication skills .BPO insist for labor and requires less skilled employees	KPO requires highly knowledgeable employees in the area that is outsourced like lawyers, doctors, MBA and skilled engineers. It involves skill and expertise of knowledge and so needs workers with excellent educational background.
cost competitiveness	the salary of BPO employee is much lower than offered to the KPO employee	the salary of KPO employee is much higher than offered to the BPO employee
Qualifications	BPO requires application, understanding of business and analytical bent of mind	people working for KPO are highly qualified such as Engineer, Doctor, CA, Lawyer etc.
Services provided	BPO provides services like customer care, technical support through voice processes, tele-marketing, sales, etc.	KPO provides in-depth knowledge, expertise and analysis on complex areas like Legal Services, Business &Market Research, etc.

Concept of Social Responsibility:

Social responsibility of business refers to its obligation to take those decisions and perform those actions which are desirable in terms of the objectives and values of our society.

Arguments for social responsibility:

- i. Justification for existence and growth,
- ii. Long-term interest and image of the firm,
- iii. Avoidance of government regulation,
- iv. Maintenance of society,
- v. Availability of resources with business,
- vi. Converting problems into opportunity,
- vii. Better environment for doing business, and
- viii. Holding the business responsible for social problems.

Arguments against social responsibility:

- i. Violation of profit maximization objective,
- ii. Burden on consumers,
- iii. Lack of social skills and
- iv. Lack of broad public support.

Reality of Social Responsibility:

Reality of social responsibility is that, despite differing arguments relating to social responsibility, business enterprises are concerned with social responsibility because of the influence of certain external forces.

These forces are:

- i. Threat of public regulation
- ii. Pressure of labour movement
- iii. Impact of consumer consciousness
- iv. Development of social standard for businessmen
- v. Development of business education
- vi. Relationship between social interest and business interest
- vii. Development of professional, managerial class.

Kinds of Social Responsibility

- i. Economic responsibility: to produce goods and services that society wants and sells them at a profit.
- ii. Legal responsibility: operate within the Laws of the nation.
- iii. Ethical responsibility: standards of behaviour for the firm that is expected by society and codified in law.
- iv. Discretionary responsibility: voluntary responsibilities assumed by business.

Social Responsibility towards Different Interest Groups:

(i) **Shareholders Or Owners:**

- a. Giving fair return
- b. Safety of investment to shareholders
- c. Run business efficiently
- d. Growth of investment

(ii) **Workers:**

- a. Providing opportunities to workers for meaningful work
- b. Fair and regular wages
- c. Right kind of working conditions
- d. Right to form unions
- e. Job security
- f. Training and development

(iii) **Consumers:**

- a. Supplying right quality and quantity of goods and services to consumers at a reasonable price
- b. Provide proper after sales services
- c. Not use unfair means like adulteration, poor quality, lack of desired service and courtesy to customers, misleading and dishonest advertising, etc.
- d. Give the consumers correct information about the product

(iv) **Government And Community:**

- a. Paying taxes to the government,
- b. Protect natural environment are some of the social responsibilities of business.
- c. Behave as a good citizen and act according to the well accepted values and laws of the society.

Business and Environment Protection:

- The environment is defined as the totality of man's surroundings both natural and man-made.
- Pollution – the injection of harmful substances into the environment is, in fact, largely the result of industrial production.

Causes of Pollution:

- Among the various sources of pollutions, industry is a major generator of waste in terms of both its quantity and toxicity.
- Any business enterprises have been responsible for causing air, water, land, and noise pollution.

Need For Pollution Control:

Important reasons which make a case for pollution control are:

- a. Reduction of health hazards,
- b. Reduced risk of liability,
- c. Cost savings
- d. Improved public image, and

- e. Other social benefits.

Role of Business in Environmental Protection:

Each member of society can do something to protect the environment. The business enterprises should, however, take the lead in providing their own solutions to environmental problems. Some of the steps that they can take are:

- (i) Top management commitment
- (ii) Clear-out policies and programmes
- (iii) Abiding by government regulations
- (iv) Participation in government programmes
- (v) Periodical assessment of pollution control programmes
- (vi) Proper education and training of concerned people.

Concept of Business Ethics:

- Ethics is concerned with what is right and what is wrong in human behavior judged on the basis of socially determined standards of behavior.
- Business ethics concerns itself with relationship between objectives, practices, and techniques and the good of society.
- **Elements of business ethics:** An enterprise can foster ethics at the workplace by following basic elements of business ethics, such as
 - a. Top Management's Commitment - the top level managers need to be openly and strongly committed to ethical conduct. They must give continuous leadership or developing and upholding the values of the organisation.
 - b. Publication Of A Code - This generally covers areas such as fundamental honesty and adherence to laws; product safety and quality; health and safety in the workplace; conflicts of interest; employment practices; fairness in selling/marketing practices; and financial reporting.
 - c. Establishment Of Compliance Mechanism - example paying attention to values and ethics in recruiting and hiring; emphasising corporate ethics in training; auditing performance regularly to analyse the degree of compliance; and instituting communication systems to help employees report incidents of unethical behaviour.
 - d. Involving Employees At All Levels - For example, small groups of employees can be formed to discuss the important ethics policies of firms and examine attitudes of employees towards these policies.
 - e. Measuring Results - Although it is difficult to accurately measure the end results of ethics programmes, the firms can certainly audit to monitor compliance with ethical standards.

Chapter 7: Sources of Business Finance**Meaning and Significance of Business Finance:**

- The requirement of funds by business to carry out its various activities is called business finance.
- No business can function without adequate amount of funds for undertaking various activities.
- The funds are required for
 - Purchasing fixed assets (fixed capital requirement),
 - For running day-to-day operations (working capital requirement),
 - And for undertaking growth and expansion plans in a business organisation.

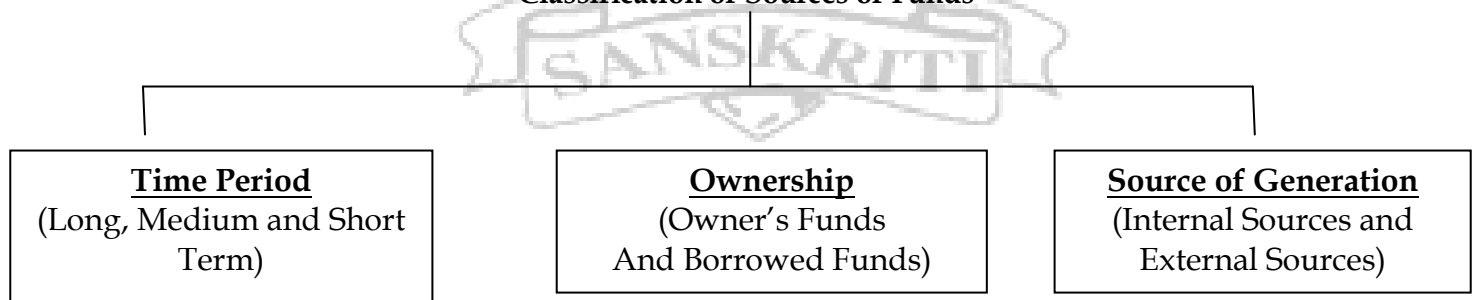
The financial needs of a business can be categorized as follows:

(a) Fixed capital requirements:

- Used to start/expand a business.
- Eg of uses= fixed assets like land and building, plant and machinery, and furniture and fixtures.
- These **increase the earning capacity** of a business.
- They remain invested in the business for a long period of time.
- Different business units need varying amount of fixed capital depending on various factors such as scale, technology used etc.

(b) Working Capital requirements:

- Funds for its day-to-day operations are known as working capital of an enterprise.
- These **maintain the earning capacity** of a firm.
- It is used for holding current assets such as stock of material, bills receivables and for meeting current expenses like salaries, wages, taxes, and rent.
- The amount varies from one business concern to another depending on various factors such as whether most of the sales are on cash or on credit, inventory policy etc.

Classification of Sources of Funds**TIME PERIOD BASIS:****• Long term sources of funds:**

- The sources that provide funds for a period exceeding 5 years are called long-term sources.
- Include sources such as shares and debentures, long-term borrowings and loans from financial institutions.
- Generally required for the acquisition of fixed assets such as equipment, plant, etc.

- **Medium term sources of funds**

- Fulfill the financial requirements for the period of more than one year but not exceeding 5 years.
- These sources include borrowings from commercial banks, public deposits, lease financing and loans from financial institutions.

- **Short- term sources of funds:**

- The sources that provide funds for a period not exceeding one year are termed as short term sources.
- Trade credit, loans from commercial banks and commercial papers are some of the examples of the sources that provide funds for short duration.
- Short-term financing is most common for financing of current assets such as accounts receivable and inventories.

OWNERSHIP BASIS:

- **Owner's funds:**

- Funds that are provided by the owners of an enterprise.
- It includes capital (Share capital for companies)+ profits reinvested in the business.
- Such capital forms the basis on which owners acquire their right of control of management.

- **Borrowed funds:**

- Borrowed capital refers to the funds that are generated through loans or borrowings from other individuals or institutions.
- Include loans from commercial banks, loans from financial institutions, issue of debentures, public deposits and trade credit.
- Provide funds
 - for a specified period,
 - on certain terms and conditions and
 - Have to be repaid after the expiry of that period.
- A fixed rate of interest is paid by the borrowers on such funds. And are provided on the security of some fixed assets.

SOURCE OF GENERATION BASIS:

- **Internal sources:**

- Internal sources of capital are those sources that are generated within the business say through ploughing back of profits.

- **External sources**

- External sources of capital are those that are outside the business such as finance provided by suppliers, lenders, and investors.

SOURCES OF BUSINESS FINANCE:

Retained Earnings:

- The portion of the net earnings of the company that is not distributed as dividends
- The amount available depends on the dividend policy of the company.

<u>Merits Of Retained earnings</u>	<u>Limitations Of Retained earnings</u>
1) Permanent 2) No explicit cost 3) Operational freedom and flexibility; 4) Enhances the loss bearing capacity 5) Increase in the Market price of shares	1) May cause dissatisfaction amongst the shareholders 2) Uncertain and fluctuating 3) Opportunity cost not recognized

Issue of Equity Shares:

- Represents the ownership capital of a company.
- Due to their fluctuating earnings, equity shareholders are called risk bearers of the company.
- These shareholders enjoy higher returns during prosperity
- They have a say in the management of a company, through exercising their voting rights.

<u>Merits Of Equity Shares</u>	<u>Limitations Of Equity Shares</u>
1) Suitable for investors who are willing to assume risk 2) No burden 3) Permanent capital 4) Confidence 5) No charge on the assets of the Company 6) Democratic control 7) Credit worthiness	1) Equity shares get fluctuating returns 2) Costly 3) Dilutes the voting power 4) Lot of formalities and procedural delays are involved while raising funds through issue of equity Share

Issue of Preference Shares:

- These shares provide a preferential right to the shareholders with respect to
 - payment of earnings ie dividends and the repayment of capital on winding up

- Investors who prefer steady income without undertaking higher risks prefer these shares. A company can issue different types of preference shares.

<u>Merits Of Preference Shares</u>	<u>Limitations Of Preference Shares</u>
1) Reasonably steady income 2) Useful for those investors who want fixed rate of return with comparatively low risk; 3) Does not affect the control 4) Higher rates of dividend for the equity shareholders 5) Preferential right 6) No charge	1) Dilutes the claims of equity shareholders 2) Rate of dividend on preference shares is generally higher 3) No assured return for the investors 4) Dividend is not tax deductible

Issue of Debentures:

- Debenture represents the loan capital of company and the holders of debentures are the creditors.
- These carry a fixed rate of interest.
- The issue of debentures is suitable in the situation when the sales and earnings of the company are relatively stable.

<u>Merits Of Debentures</u>	<u>Limitations Of Debentures</u>
1) It is preferred by investors who want fixed income at lesser risk 2) Debentures are fixed charge funds and do not participate in profits of the company 3) Financing through debentures does not dilute control of equity shareholders on management 4) Financing through debentures is less costly as compared to cost of preference or equity capital as the interest payment on debentures is tax deductible	1) Debentures put a permanent burden on the earnings of a company. 2) In case of redeemable debentures, the company has to make provisions for repayment on the specified date, even during periods of financial difficulty; 3) With the issue of debentures, the capacity of a Company to further borrow funds Reduces.

Financial Institutions:

- Established by both central and state governments.
- Provide industrial finance to companies engaged in business.
- They are also called development banks.

- This source of financing is considered suitable when large funds are required for expansion, reorganization, and modernization of the enterprise.

<u>Merits Of Financial Institutions</u>	<u>Limitations Of Financial Institutions</u>
1) Long term finance 2) Many of these institutions provide financial, managerial and technical advice and consultancy to business firms; 3) Increases the goodwill of the borrowing company in the capital market 4) Repayment of loan can be made in easy installments 5) The funds are made available even during periods of depression	1) Follow rigid criteria for grant of loans. 2) Too many formalities make the procedure time consuming and expensive 3) Restrictions may be imposed 4) May restrict the powers of the company

Commercial Banks:

- Banks provide short and medium-term loans to firms of all sizes.
- The loan is repaid either in lump sum or in installments.
- The rate of interest charged by a bank depends upon factors including the characteristics of the borrowing firm and the level of interest rates in the economy.

<u>Merits Of Commercial Banks</u>	<u>Limitations Of Commercial Banks</u>
1) Banks provide timely assistance 2) Secrecy of business can be maintained 3) Easier source of funds 4) Flexible source of finance	1) Funds are generally available for short periods and its extension or renewal is uncertain and difficult; 2) Procedure of obtaining funds slightly difficult 3) Restrictions may be imposed

Public Deposits:

- A company can raise funds by inviting the public to deposit their savings with their company.
- Take care of both long and short-term financial requirements of business.
- Rate of interest on deposits is usually higher than that offered by banks and other financial institutions.

<u>Merits Of Public Deposits</u>	<u>Limitations Of Public Deposits</u>
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1) Procedure is simple 2) Cost of public deposits is generally lower 3) No charge on the assets of the company 4) The control of the company is not diluted.	1) New companies generally find it difficult to raise funds through public deposits 2) Unreliable source of finance 3) Collection of public deposits may prove difficult
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Trade Credit:

- The credit extended by one trader to another for purchasing goods or services is known as trade credit.
- Facilitates the purchase of supplies on credit.
- Small and new firms are usually more dependent on trade credit, as they find it relatively difficult to obtain funds from other sources.

<u>Merits Of Trade Credit</u>	<u>Limitations Of Trade Credit</u>
1) Convenient and continuous source of funds; 2) May be readily available 3) Promotes the sales of an organization; 4) Trade credit may be used to increase its inventory level 5) No charge on the assets	1) May induce a firm to indulge in overtrading, 2) Only limited amount of funds can be generated 3) Costly source

Inter Corporate Deposits:

An Inter-Corporate Deposit (ICD) is an unsecured loan extended by one corporate to another.

Merits of Inter Corporate Deposits	Demerits of Inter Corporate Deposits
• Allows corporate having <u>surplus funds</u> to lend to other corporate.	• The <u>interest rates</u> in this market are higher than those in the other markets.
• The <u>better-rated corporate</u> can borrow from the banking system and lend in this market.	• ICDs are <u>unsecured</u> , and hence the risk is high.
• Solves the problem of <u>short term cash deficiency</u>	• The ICD market is <u>not well organised</u> with very little information available publicly about transaction details.

Types of Inter corporate deposits

1. Three month deposits:

- Most popular
- Annual rate of interest = 12%

2. Six month deposits:

- Usually given to well-known borrowers
- Annual rate of interest = 15%

3. Call deposits:

- Occurs on one day notice
- Annual rate of interest = 10%

International Financing:

The international sources from where the funds can be procured include:

- 1) Foreign currency loans from commercial banks,
- 2) Financial assistance provided by international agencies and development banks, and
- 3) Issue of financial instruments (GDRs/ ADRs/ FCCBs) in international capital markets.

GDR, ADR AND IDRs

What are depositary receipts?

A depositary receipt (DR) is a type of negotiable (transferable) financial security that is traded on a local stock exchange but represents a security, usually in the form of equity that is issued by a foreign publicly listed company. The DR, which is a physical certificate, allows investors to hold shares in equity of other countries.

GDR Global Depositary Receipt (GDR)

A **global depositary receipt** or **global depositary receipt** (GDR) is a certificate issued by a depository bank, which purchases shares of foreign companies and deposits it on the account. GDRs represent ownership of an underlying number of shares.

Global depositary receipts facilitate trade of shares, and are commonly used to invest in companies from developing or emerging markets.

Prices of global depositary receipt are often close to values of related shares, but they are traded and settled independently of the underlying share.

Several international banks issue GDRs, such as JPMorgan Chase, Citigroup, Deutsche Bank, Bank of New York. GDRs are often listed in the Frankfurt Stock Exchange, Luxembourg Stock Exchange and in the London Stock Exchange, where they are traded on the International Order Book (IOB). Normally 1 GDR = 10 Shares, but not always. It is a negotiable instrument which is denominated in some freely convertible currency. It is a negotiable certificate denominated in US dollars which represents a non-US Company's publicly traded local equity.

Characteristics of GDRs:

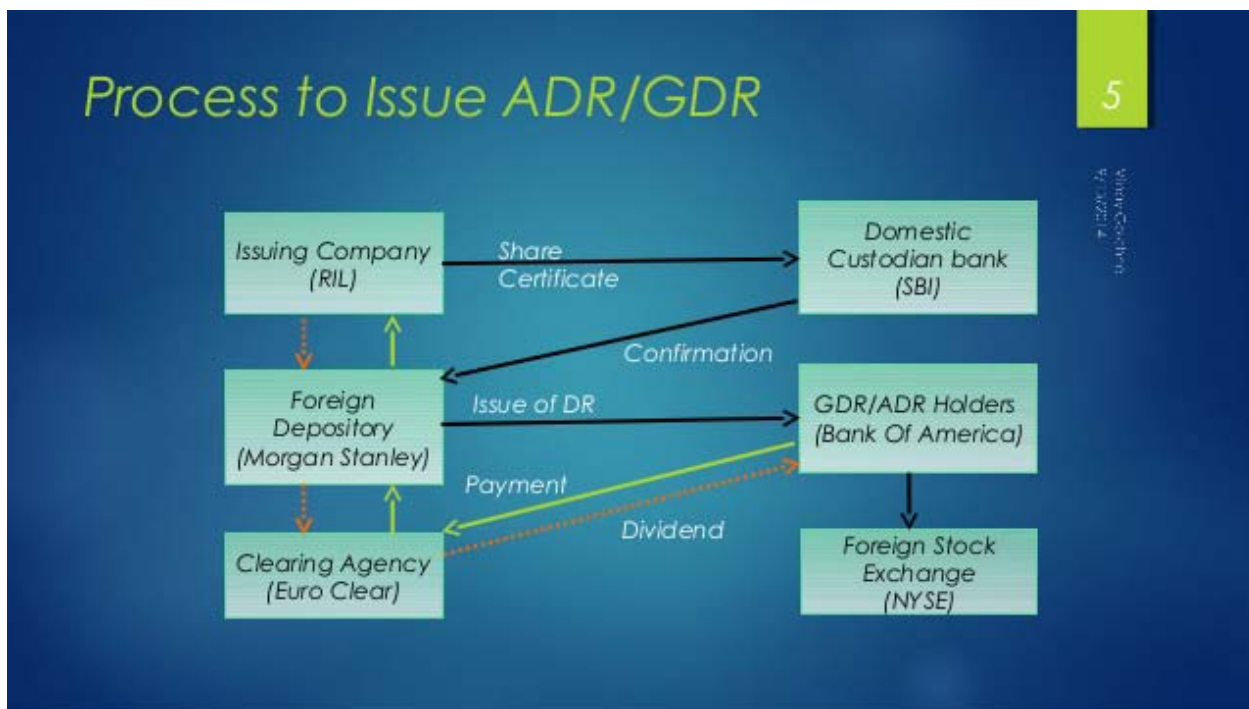
1. It is an unsecured security
2. A fixed rate of interest is paid on it
3. It may be converted into number of shares

4. Interest and redemption price is public in foreign agency
5. It is listed and traded in the share market



American Depository Receipt (ADR)

Very similar to GDR's are ADR's. An American Depository Receipt (ADR) is how the stock of most foreign companies trades in United States stock markets. Each ADR is issued by a U.S. depository bank and represents one or more shares of a foreign stock or a fraction of a share. If investors own an ADR they have the right to obtain the foreign stock it represents, but U.S. investors usually find it more convenient to own the ADR. The price of an ADR is often close to the price of the foreign stock in its home market, adjusted for the ratio of ADRs to foreign company shares. Depository banks have numerous responsibilities to the holders of ADRs and to the non-U.S. company the ADRs represent. The largest depository bank is The Bank of New York. Individual shares of a foreign corporation represented by an ADR are called American Depository Shares (ADS).

**Key Differences between ADR and GDR**

The important difference between ADR and GDR are indicated in the following points:

1. ADR is an abbreviation for American Depository Receipt whereas GDR is an acronym for Global Depository Receipt.
2. ADR is a depository receipt issued by a US depository bank, against a certain number of shares of non-US company stock, trading in the US stock exchange. GDR is a negotiable instrument issued by the international depository bank, representing foreign company's stock that are offered for sale in the international market.
3. With the help of ADR, foreign companies can trade in US stock market, through various bank branches. On the other hand, GDR helps foreign companies to trade in any country's stock market other than the US stock market, through ODB's branches.
4. ADR is issued in America while GDR is issued in Europe.

- ADR is listed in American Stock Exchange i.e. New York Stock Exchange (NYSE) or National Association of Securities Dealers Automated Quotations (NASDAQ). Conversely, GDR is listed in non-US stock exchanges like London Stock Exchange or Luxembourg Stock Exchange.
- ADR can be negotiated in America only while GDR can be negotiated in all around the world.
- When it comes to disclosure requirements for ADR's, stipulated by the Securities Exchange Commission (SEC) are onerous. Unlike GDR's whose disclosure requirements are less onerous.
- Talking about market, ADR market is a retail investor market, where the investors participation is large and provides suitable valuation of a company's stock. As opposed to the GDR, where the market is an institutional one, with less liquidity.



Indian Depository Receipts (IDRs)

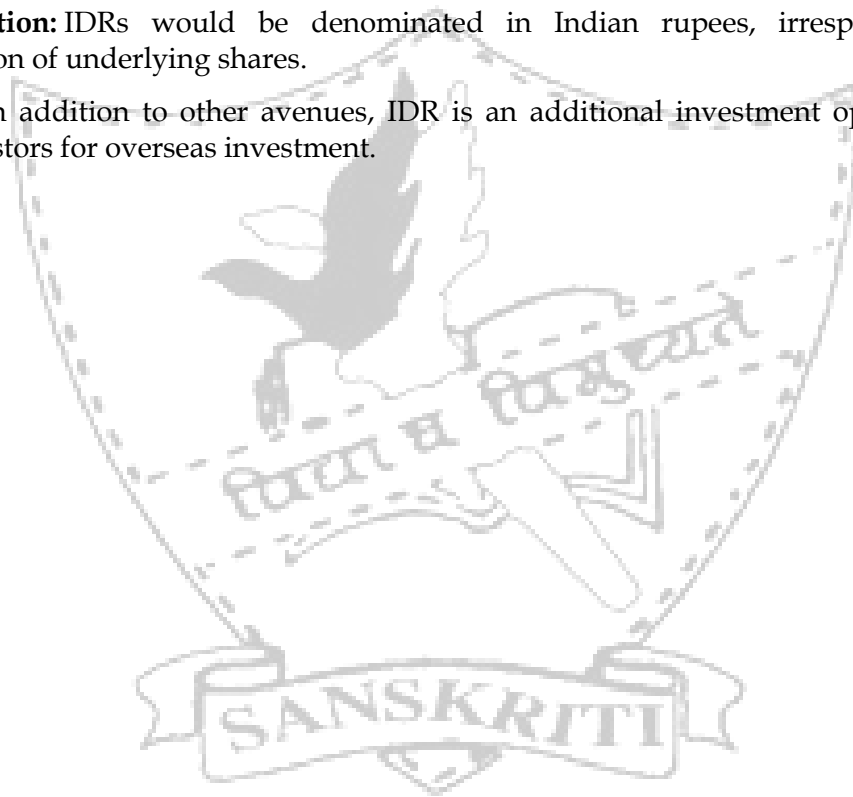
As per the definition given in the Companies (Issue of Indian Depository Receipts) Rules, 2004, IDR is an instrument in the form of a Depository Receipt created by the Indian depository in India against the underlying equity shares of the issuing company. In an IDR, foreign companies would issue shares, to an Indian Depository (say National Security Depository Limited – NSDL), which would in turn issue depository receipts to investors in India. The actual shares underlying the IDRs would be held by an Overseas Custodian, which shall authorize the Indian Depository to issue the IDRs. Standard Chartered PLC became the first global company to file for an issue of Indian depository receipts in India.

The following are the features of IDRs:

- Overseas Custodian:** It is a foreign bank having branches in India and requires approval from Finance Ministry for acting as custodian and Indian depository has to be registered with SEBI.
- Approvals for issue of IDRs:** IDR issue will require approval from SEBI and application can be made for this purpose 90 days before the issue opening date.
- Listing:** These IDRs would be listed on stock exchanges in India and would be freely transferable.

4. Eligibility conditions for overseas companies to issue IDRs:

- i. **Capital:** The overseas company intending to issue IDRs should have paid up capital and free reserve of at least \$ 100 million.
- ii. **Sales turnover:** an average turnover of \$ 500 million during the last three years.
- iii. **Profits/dividend:** earned profits in the last 5 years and have declared dividend of at least 10% each year during this period.
- iv. **Debt equity ratio:** The pre-issue debt equity ratio of such company should not be more than 2:1.
- v. **Extent of issue:** The issue during a particular year should not exceed 15% of the paid up capital plus free reserves.
- vi. **Redemption:** IDRs would not be redeemable into underlying equity shares before one year from date of issue.
- vii. **Denomination:** IDRs would be denominated in Indian rupees, irrespective of the denomination of underlying shares.
- viii. **Benefits:** In addition to other avenues, IDR is an additional investment opportunity for Indian investors for overseas investment.



Chapter 9 -Small Business and Enterprises**THE CONCEPT OF ENTREPRENEURSHIP:**

You are aware that entrepreneurship is regarded as one of the four major factors of production, the other three being land, labour and capital. However, it should surprise you that as regards its French origin, the term 'entrepreneurship' (derived from the verb 'entreprendre' meaning 'to undertake') pertained not to economics but to undertaking of military expeditions. So is true of many terms in management such as strategy (a course of action to beat the competition, the 'enemy') and logistics (movement of men and machines for timely availability), etc. Historically, as wars are followed by economic reconstruction, it should be no surprise that military concepts are used in economics and management. It may be pointed out that whereas the wars are rare and far between, in today's competitive world, entrepreneurs wage wars everyday. There is a tremendous pressure to continually develop new products, explore new markets, update technology and devise innovative ways of marketing and so on.

The term 'entrepreneur' was first introduced in economics by the early 18th century French economist Richard Cantillon. In his writings, he formally defined the entrepreneur as the "agent who buys means of production at certain prices in order to sell the produce at uncertain prices in the future". Since then a perusal of the usage of the term in economics shows that entrepreneurship implies risk/uncertainty bearing; coordination of productive resources; introduction of innovations; and the provision of capital.

We would like to define entrepreneurship as a systematic, purposeful and creative activity of identifying a need, mobilising resources and organising production with a view to delivering value to the customers, returns for the investors and profits for the self in accordance with the risks and uncertainties associated with business. This definition points to certain characteristics of entrepreneurship that we turn our attention to.

CHARACTERISTICS OF ENTREPRENEURSHIP

1. Systematic Activity: Entrepreneurship is not a mysterious gift or charm and something that happens by chance! It is a systematic, step-by-step and purposeful activity. It has certain temperamental, skill and other knowledge and competency requirements that can be acquired, learnt and developed, both by formal educational and vocational training as well as by observation and work experience. Such an understanding of the process of entrepreneurship is crucial for dispelling the myth that entrepreneurs are born rather than made.

2. Lawful and Purposeful Activity: The object of entrepreneurship is lawful business. It is important to take note of this as one may try to legitimise unlawful actions as entrepreneurship on the grounds that just as entrepreneurship entails risk, so does illicit businesses. Purpose of entrepreneurship is creation of value for personal profit and social gain.

3. Innovation: From the point of view of the firm, innovation may be cost saving or revenue-enhancing. If it does both it is more than welcome. Even if it does none, it is still welcome as innovation must become a habit! Entrepreneurship is creative in the sense that it involves creation of value. You must appreciate that in the absence of entrepreneurship 'matter' does not become a "resource." By combining the various factors of production, entrepreneurs produce goods and services that meet the needs and wants of the society. Every entrepreneurial act results in income and wealth generation. Even when innovations destroy the existing industries, for example, zerox machines destroyed carbon paper industry, mobile telephony threatens landline/ basic telephony, net gains accruing to the economy lend such entrepreneurial actions as commendable as the acts of

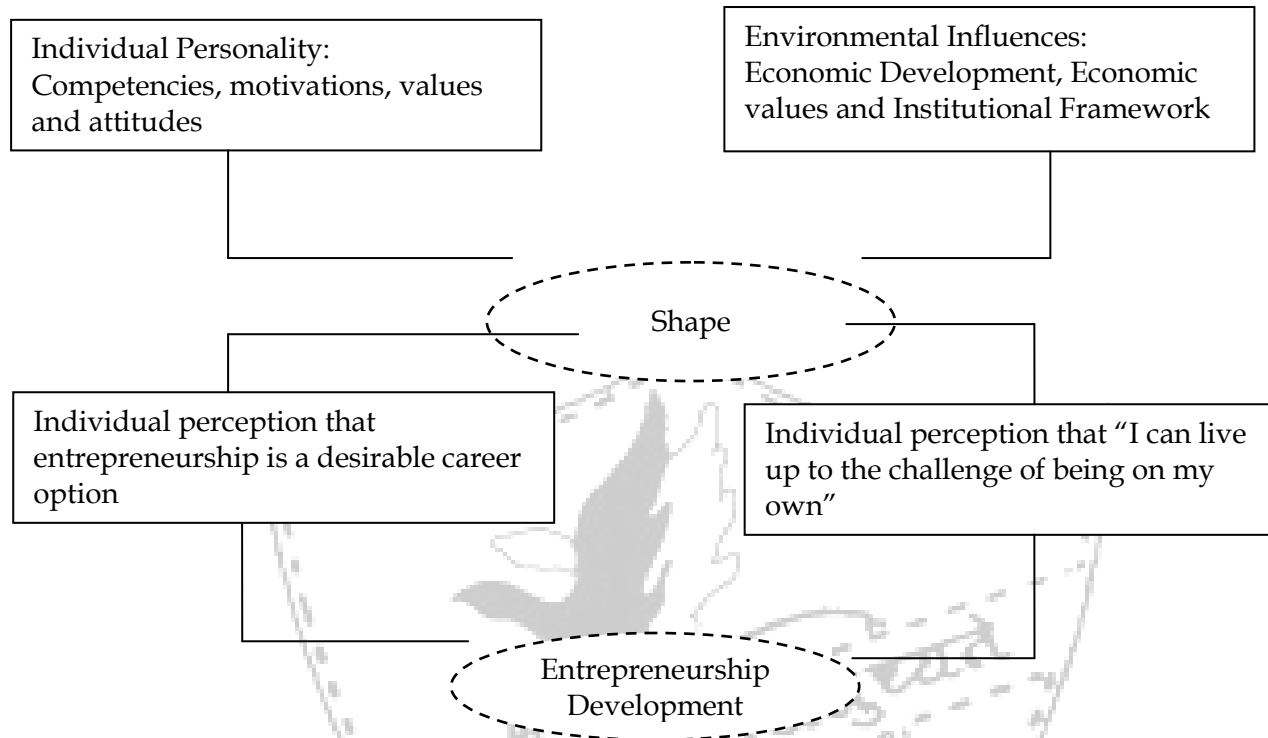
creative destruction. Entrepreneurship is creative also in the sense that it involves innovation-introduction of new products, discovery of new markets and sources of supply of inputs, technological breakthroughs as well as introduction of newer organisational forms for doing things better, cheaper, faster and, in the present context, in a manner that causes the least harm to the ecology/environment. It is possible that entrepreneurs in developing countries may not be pioneering/ innovative in introducing pathbreaking, radical innovations. They may be the first or second adopters of technologies developed elsewhere. That does not make their achievement small. For imitating technologies from developed world to the indigenous setting is quite challenging. A lady entrepreneur wanting to introduce thermal pads for industrial heating faced tremendous reluctance from the owners of chemical and sugar mills despite the established superiority of her products over the conventional heating of the vessels by burning of wood/coke or using LPG. Moreover, there is no need to suffer from “it was not invented here” complex- there is no need to reinvent the wheel. The global electronics major, Sony did not invent the transistor! It used the transistor to build entertainment products that are world leaders.

4. Organisation of Production: Production, implying creation of form, place, time personal utility, requires the combined utilisation of diverse factors of production, land, labour, capital and technology. Entrepreneur, in response to a perceived business opportunity mobilises these resources into a productive enterprise or firm. It may be pointed out that the entrepreneur may not be possessing any of these resources; he may just have the ‘idea’ that he promotes among the resource providers. In an economy with a well-developed financial system, he has to convince just the funding institutions and with the capital so arranged he may enter into contracts of supply of equipment, materials, utilities (such as water and electricity) and technology. What lies at the core of organisation of production is the knowledge about availability and location of the resources as well as the optimum way to combine them. An entrepreneur needs negotiation skills to raise these in the best interests of the enterprise. Organisation of production also involves product development and development of the market for the product. Besides, entrepreneur may be required to develop even the sources of supply of requisite inputs. For example, whether it is a matter of putting together an automobile manufacturing unit or manufacture of burger/pizza, besides cultivating a market and developing products to suit its tastes and preferences, there would be a need to develop a pool of suppliers of the diverse components or elements that go into their manufacture.

5. Risk-taking: As the entrepreneur contracts for an assured supply of the various inputs for his project, he incurs the risk of paying them off whether or not the venture succeeds. Thus, landowner gets the contracted rent, capital providers gets the contracted interest, and the workforce gets the contracted wages and salaries. However, there is no assurance of profit to the entrepreneur. It may be pointed out that the possibility of absolute ruin may be rare as the entrepreneur does everything within his control to de-risk the business.

The characteristics of entrepreneurship discussed as above apply in diverse contexts, so does the usage of the term, viz., Agricultural/Rural Entrepreneurship, Industrial entrepreneurship, Technopreneurship, Netpreneurship, Green/Environmental or Ecopreneurship, Intra-corporate/firm or Intrapreneurship and Social entrepreneurship. In fact, entrepreneurship has come to be regarded as a ‘type of behaviours’, whereby one, (i) rather than becoming a part of the problem, proactively tries to solve it; (ii) uses personal creativity and intellect to develop innovative solutions; (iii) thinks beyond resources presently controlled in exploiting the emerging opportunities or attending to the impending problems; (iv) has the conviction to convince others of one’s ideas and seek their commitment towards the project; and (v) has the courage of heart to withstand adversities, persist despite setbacks and be generally optimistic.

THE PROCESS OF ENTREPRENEURSHIP DEVELOPMENT: Entrepreneurship does not emerge spontaneously. Rather, it is the outcome of a dynamic process of interaction between a person and his/ her environment. Ultimately, the choice of entrepreneurship as a career lies with an individual, yet he/she must see it as a desirable, as well as, a feasible option. In this regard, it becomes imperative to look at both—factors in the environment, as well as, factors in the individual's perception of desirability and feasibility.



STARTUP INDIA SCHEME:

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. This drive will lead towards sustainable economic growth and generate large-scale employment opportunities.

The Government of India aims to empower startups to grow through innovation and design. The scheme specifically aims to:

1. Trigger an entrepreneurial culture and inculcate entrepreneurial values in the society at large and influence the mindset of people towards entrepreneurship,
2. Create awareness about the charms of being an entrepreneur and the process of entrepreneurship, especially among the youth,
3. Encourage more dynamic startups by motivating educated youth, scientists and technologists to consider entrepreneurship as a lucrative, preferred and viable career, and
4. Support the early phase of entrepreneurship development, including the pre-startup, nascent, as well as, early post startup phase and growth enterprises.
5. Broad base the entrepreneurial supply by meeting specific needs of under represented target groups, like women, socially and economically backward communities, scheduled castes and scheduled tribes; under represented regions to achieve inclusiveness and sustainable development to address the needs of the population at the bottom of the pyramid.



Meaning of Startup:

As per the notification dated February 17, 2017, issued by the Ministry of Commerce and Industry, a startup means:

1. An entity incorporated or registered in India.
2. Not older than five years.
3. Annual turnover does not exceed Rs. 25 crore in any preceding year.
4. Working towards innovation, development or commercialization of products/service/processes driven by technology or IPRs and patent.

STARTUP INDIA INITIATIVE: ACTION POINTS

1. Simplification and Handholding: In order to make compliance for startups, friendly and flexible, simplifications are announced.
2. Startup India Hub: The objective is to create a single point of contact for the entire startup ecosystem and enable knowledge exchange and access to funding.
3. Legal support and Fast tracking Patent Examination: The scheme for Startups Intellectual Property Protections (SIPP) is envisaged to facilitate protection of patents, trademarks and designs of innovative and interested startups.
4. Easy Exit: In the event of a business failure and wind up of operations, procedures are being adopted to reallocate capital and resources towards more productive avenues. This will promote experimentation with new and innovative ideas, without fearing complex and long drawn exit process.
5. Harnessing private sector for incubator setup: To ensure professional management of government sponsored/funded incubators, the government envisages setting up of incubators across the country in PPP mode.
6. Tax exemption: The profits of startup initiatives are exempted for income tax for a period of three years.

Ways to fund startup:

In addition to the government plans that offer startup capital and bank loans, the funding for startups can also be availed in the following ways:

1. **Boot Strapping:** Commonly known as self financing, it is considered as the first funding option because by stretching out your personal savings and resources, you are tied to your business. Also, at a later stage, investors consider it as your merit. However, it is a good option of funding only if the initial requirement is small and handy.
2. **Crowd funding:** It is the pooling of resources by a group of people for a common goal. Crowd funding is not new to India. There are many instances of organisations reaching out to common people for funding. However, the emergence of platforms that promote crowdfunding is fairly recent to India. These platforms help startups or small businesses to meet their funding requirements.
3. **Angel Investment:** Angel investors are individuals with surplus cash who have keen interest to invest in upcoming startups. They also offer mentoring or advice alongside capital.

4. Venture capital: There are professionally managed funds which are invested in companies that have huge potential. Venture capitalists provide expertise, mentorship and act as a litmus test of where a business organisation is going, evaluating business from sustainability and scalability point of view.

5. Business Incubators and Accelerators: Early stage business can consider incubator and accelerator programmes as a funding option. These programmes assist hundreds of startup businesses every year. These two are generally used interchangeably. However, incubator is like a parent who nurtures the business (child), whereas, accelerator helps to run or take a giant leap in business. Incubators and accelerators ably connect the startups with mentors, investors and fellow startups using this platform.

6. Microfinance and NBFCs: Micro finance is basically access to financial services to those who either do not have access to conventional banking services or have not qualified for a bank loan. Similarly, NBFCs (Non Banking Financial Corporation) provides banking services without meeting legal requirement/definition of a bank.

INTELLECTUAL PROPERTY RIGHTS (IPR):

Over the past two decades, intellectual property rights have grown to a stature from where it plays a major role in the development of global economy. Intellectual property is everywhere, i.e., the music you listen to, the technology that makes your phone work, the design of your favourite car, the logo on your sneakers, etc. It exists in all the things you can see – all are the products of human creativity and skill, such as inventions, books, paintings, songs, symbols, names, images, or designs used in business, etc. All inventions of creations begin with an 'idea'. Once the idea becomes an actual product, i.e., Intellectual Property, one can apply to the authority concerned under the Government of India for protection. Legal rights conferred on such products are called 'Intellectual Property Rights' (IPR). Hence Intellectual property (IP) refers to products of human mind, hence, just like other types of property, the owners of IP can rent, give or sell it to other people. Specifically, Intellectual property (IP) refers to the creations of the human mind, like inventions, literary and artistic works, symbols, names, images and designs used in business. Intellectual property is divided into two broad categories: industrial property, which includes inventions (patents), trademarks, industrial designs and geographical indications, while the other is copyrights, which includes literary and artistic works, such as novels, poems, plays, films, musical works, artistic works, such as drawings, paintings, photographs and sculptures and architectural designs. The most noticeable difference between intellectual property and other forms of property is that intellectual property is intangible i.e., it cannot be defined or identified by its own physical parameters. The scope and definition of intellectual property is constantly evolving with the inclusion of newer forms. In recent times, geographical indications, protection of plant varieties, protection of semi-conductors and integrated circuits and undisclosed information have been brought under the umbrella of intellectual property.

WHY IS IPR IMPORTANT?

- i. It encourages creation of new, pathbreaking inventions, such as cancer cure medicines.
- ii. It incentivises inventors, authors, creators, etc., for their work.
- iii. It allows the work created by a person to be distributed and communicated to the public only with his/her permission. Therefore, it helps in the prevention of loss of income.
- iv. It helps authors, creators, developers and owners to get recognition for their works.

WTO

With the establishment of the World Trade Organisation (WTO), the importance and role of intellectual property protection has been crystallised in the Trade-Related Intellectual Property Systems (TRIPS) Agreement. With the establishment of WTO, and India being a signatory to the agreement on TRIPS, several legislations were passed for the protection of intellectual property rights to meet the international obligations.

These included Trade Mark Act 1999, the Geographical Indications of Goods (Registration and Protection) Act 1999, Designs Act 2000 and Protection of Plant Varieties and Farmers' Rights Act 2001, the Patents Act 2005 and the Copyright (Amendment) Act 2012.

The following table provides a detailed information about these Acts enacted in India:

Types of IPR	Type of Human Creation	Law	Main requirements	Duration of Protection
Patent	Inventions <ul style="list-style-type: none"> • A product or process that is new and inventive and can be made or used in an industry. • Whoever holds the patent is allowed to decide who can make, use, offer to sell, sell, or import their invention. • One product may be covered by lots of different patents. 	The Patent Act, 1970	Product or process that is new, has an inventive step and industrial applicability.	Twenty years from the filing date, subject to payment of annual renewal fee. No extension beyond 20 years.
Design	Aesthetics or look and feel of a product. Eye catching features that are non-functional.	The Designs Act, 2000	New and original features that have not been previously used.	Ten years from the filing date. Renewable for further five years (maximum protection for 15 years).
Trademark	Any word, name, symbol,	The Trademark Act, 1999	Unique and distinctive	Ten years from filing.

	<p>shape or logo that lets us identify the goods made or services offered by an individual or a company.</p> <ul style="list-style-type: none"> • Like your name is a big part of your identity, a trademark defines the identity of the goods or services it is used for. 		word, name, or symbol (or their combination)	Renewable for successive a period of 10 years.
Copyright	<p>Artistic, literary and musical works, such as books, blogs, photographs, songs, music, plays, etc.</p> <ul style="list-style-type: none"> • Next time you click a photograph, write a story or compose a song, know that it is protected by 'copyright' and no one can copy it without your permission. 	The Copyright Act, 1975	Any original idea expressed in a tangible form regardless of the quality or purpose is eligible for protection. No copyright on ideas.	Literary, dramatic, musical or artistic works – lifetime of the author until 60 years from his/her death; sound recording and cinematograph films – 60 years from the year in which the recording was published.
Geographical Indication (GI)	A product originating from a specific location which gives that product unique and differentiating characteristics.	The Geographical Indications of Goods (Registration and Protection Act, 1999)	The qualities, characteristics, features or reputation of the product should be essentially linked to its original place of production.	Ten years. Renewable for a successive period of 10 years.

	<ul style="list-style-type: none"> • GI tells you where in the world a product comes and from when and why that place is famous for that type or product. 			
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Geographical Indication: Social and Economic Impact Geographical Indications (GI) are part of our collective and intellectual heritage that need to be protected and promoted. Goods protected and registered as GI are categorised into agricultural products, handicrafts, manufactured goods and textiles. Darjeeling tea, Basoli paintings of Kangra, Nagpur orange, Banaras Brocades and Sarees, and Kashmir Pashmina are some of the examples of GIs. Most of the GI products are created by rural communities, and therefore, supplement the incomes of our rural artisans, weavers, craftsmen and farmers. Marketing of GIs helps in creating a supply chain around the product, which in turn, offers an increased price for the respective GI product. It not only preserves traditional practices on which the product is based, but also promotes entrepreneurship and tourism in the place of origin of the product. Darjeeling tea was the first Indian product to get GI protection in 2004. There are 87 tea gardens in Darjeeling district of West Bengal that grow 10 million kg of tea every year. European Union accounts for 60 per cent of exports of Darjeeling tea.

According to the MSMED (Ministry of Micro, Small and Medium Enterprises) Act, 2006 Small Scale enterprises are classified broadly into:

1. enterprises engaged in the manufacture of goods pertaining to any industry
According to the investment in the plant and machinery
 - Micro enterprises: upto Rs. 25 lacs
 - Small enterprises: above Rs. 25 lacs to Rs. 5 crore
 - Medium Enterprises: above rs. 5 crore to 10 crore
2. enterprises engaged in providing services - According to the investment in the equipment
 - Micro enterprises: upto Rs.10 lacs
 - Small enterprises: above Rs. 10 lacs to Rs. 2 crore
 - Medium Enterprises: above rs. 2 crore to 5 crore

ROLE OF SMALL BUSINESS IN INDIA

- (i) Generation of employment
- (ii) Balanced regional development
- (iii) Optimization of all resources
- (iv) Mobilization of local resources
- (v) Exchange earnings through exports
- (vi) Reduction of economic inequalities
- (vii) Feeder to large industries
- (viii) Social advantage like promotion of entrepreneurial skills

GOVERNMENT SCHEMES AND AGENCIES FOR SMALL SCALE INDUSTRIES:

1. **Land -**
 - Availability of land at concessional rates
 - Payment of rent allowed in instalments
2. **Power -**
 - Supply of power at 50 % and even exemption of payment for power
3. **Water -**
 - Water is supplied at no profit, no loss
4. **Sales tax-**
 - Exemption from sales tax for 5 years
5. **Raw materials -**
 - Raw materials are supplied on priority basis
6. **Finance -**
 - Loans are offered at concessional rates
7. **Tax holiday-**
 - Exemption from payment of taxes
8. **Reservation -**
 - 800 items are exclusively reserved to be produced only by SSI's

INSTITUTIONAL SUPPORT:**NATIONAL SMALL INDUSTRIES CORPORATION:**

Set up - 1955

Functions:

1. supplies indigenous and imported machinery on easy hire- purchase schemes
2. exports products of SSI's
3. Creates awareness on technological up gradation.

DISTRICT INDUSTRIAL CENTRES:

Functions:

1. Provide an integrated administrative frame work at the at the district level
2. Provide service and support facilities to entrepreneurs for setting up small and village industries.

Chapter 10: Internal Trade

- Trade refers to buying and selling of goods and services with the objective of earning profit.
- On the basis of geographical location of buyers and sellers, it can be classified into two categories
 - (i) Internal Trade; And
 - (ii) External Trade.

Internal trade:

- Buying and selling of goods and services within the boundaries of a nation are referred to as internal trade. Internal trade can be categorized into two broad categories
 - (i) Wholesale Trade; And
 - (ii) Retailing Trade.

Wholesale trade:

- Purchase and sale of goods and services in large quantities for the purposes of resale or intermediate use is referred to as wholesale trade.
- Wholesalers are an important link between manufacturers and retailers. They add value by creating time and place utility.

Services of Wholesalers:**Services to manufacturers**

- (i) Facilitating large scale production;
- (ii) Bearing risk;
- (iii) Providing financial assistance;
- (iv) Expert advice;
- (v) Help in marketing function;
- (vi) Facilitating continuity;
- (vii) Storage.

Services to retailers

- (i) Availability of goods
- (ii) Marketing support
- (iii) Grant of credit
- (iv) Specialized knowledge
- (v) Risk sharing

Retail trade:

- A retailer is a business enterprise that is engaged in the sale of goods and services directly to the ultimate consumers.
- Retailers are an important link between the producers and final consumers. They provide useful service to consumers wholesalers and manufacturers in the distribution of products and services.

Services of Retailers:**Services To Manufacturers**

- (i) Helping distribution of goods;
- (ii) Personal selling;
- (iii) Enabling large scale operations;
- (iv) Collecting market information; and
- (v) Help in promotion of goods and services.

Services To Consumers

- (i) Regular availability of products
- (ii) New product information
- (iii) Convenience of buying
- (iv) Trade selection
- (v) After sales services and
- (vi) Providing credit facilities.

Types of Retail Trade:

- Can be classified into different types according to their size, type of ownership, on the basis of merchandise handled and whether they have fixed place of business or not. Retailers can be categorized as

Itinerant retailers	Fixed shop retailers	
<p>The major types of such retailers are:</p> <ul style="list-style-type: none"> a. Peddlers and hawkers b. Market traders c. Street traders d. Cheap jacks 	<p>Small Retailers</p> <ul style="list-style-type: none"> (i) General stores (ii) Specialty shops (iii) Street stall holders (iv) Second hand goods shop. 	<p>Large Stores:</p> <p>Volume and variety of goods stocked is large</p> <ul style="list-style-type: none"> (i) Departmental stores (ii) Chain stores/multiple shops (iii) Mail order houses

Itinerant Retailers

- Don't have a fixed place of business to operate from.
- Small traders operating with limited resources who keep on moving with their wares from street to street or place to place in search of customers.
- The major types of such retailers are:
 - a. Peddlers and hawkers: They are small producers or petty traders who carry the products on a bicycle or handcart or on their heads and move from place to place, to sell their goods at the doorstep of the customers.
 - b. Market traders: Market traders are small retailers who open their shops at different places on fixed days/dates, catering mainly to lower income group of customers and dealing in low priced consumer items of daily use.
 - c. Street traders: Street traders are the small retailers who are commonly found at places where huge floating population gathers.
 - d. Cheap jacks: Cheap jacks are those petty retailers who have independent shops of a temporary nature in a business location. They deal in consumer items and provide services to consumers in terms of making the products available where needed.

Fixed Shop Retailers:

On the basis of size of operations, fixed shop retailers can be classified as

- a) Small Shopkeepers And
- b) Large Retailers.

Fixed Shop Small Retailers(i) General Stores:

- Carry stock of a variety of products such as grocery items, soft drinks, toiletry products, confectionery, and stationery,
- Satisfy day-to-day needs of consumers, residing in nearby localities.

(ii) Specialty Shops:

- Specialize in the sale of specific line of products such as children's garments, men's wear, ladies shoes, school uniform, college books or consumer electronic goods, etc of a particular brand.

(iii) Street stall holders

- Commonly found at street crossing or other places where flow of traffic is heavy
- Deal in goods of cheap variety like hosiery products, toys, cigarettes, soft drinks, etc.

(iv) Second hand goods shop:

- Deals in second hand or used goods of different kinds like furniture, books, clothes and other household articles
- Can be sold at lower prices or at higher prices (antique stores).

Fixed Shop Large Stores**Departmental Stores**

Large establishment offering a wide variety of products, classified into well-designed departments, aimed at satisfying practically every customer's need under one roof.

Advantages of Departmental stores:	Limitations of Departmental stores:
<ul style="list-style-type: none"> • Attracts large number of customers • Convenience in buying • Attractive services • Economy of large scale operation • Promotion of sales 	<ul style="list-style-type: none"> • Lacks personal attention • High operating cost • High possibility of loss • Inconvenient location

Chain Stores or Multiple Shops

- Network of retail shops that are owned and operated by manufacturers or intermediaries
- Deal in standardized and branded consumer products having rapid sales turnover.

Advantages of Chain Stores:	Limitations of Chain Stores
<ul style="list-style-type: none"> • Economies of scale • Elimination of middlemen • No bad debts • Transfer of goods • Diffusion of risk • Low cost • Flexibility 	<ul style="list-style-type: none"> • Limited selection of goods • Lack of initiative • Lack of personal touch • Difficult to change demand

DIFFERENCE BETWEEN DEPARTMENTAL STORES AND MULTIPLE SHOPS

BASIS	DEPARTMENTAL STORES	MULTIPLE SHOPS
1. Location	A departmental store is located at a central place, where a large number of customers can be attracted to it.	the multiple stores are located at a number of places for approaching a large number of customers. Thus, central location is not necessary for a multiple shop.
2. Range of products	Departmental stores aim at satisfying all the needs of customers under one roof. As such, they have to carry a variety of products of different types.	the multiple stores aim to satisfy the requirements of customers relating to a specified range of their products only.
3. Services Offered	The departmental stores lay great emphasis on providing maximum service to their customers. Some of the services, provided by them include post office, restaurant and so on	the multiple shops provide very limited service confined to guarantees and repairs if the sold out goods turn out to be defective.
4. Pricing	The departmental stores, do not have uniform pricing policy for all the departments; rather they have to occasionally offer discounts on certain products and varieties to clear their stock.	The multiple shop chains sell goods at fixed prices and maintain uniform pricing policies for all the shops.

5. Class of customers	The departmental stores cater to the needs of relatively high income group of customers who care more for the services provided rather than the prices of the product.	The multiple shops, on the other hand, cater to different types of customers, including those belonging to the lower income groups, who are interested in buying quality goods at reasonable prices.
6. Credit facilities	the departmental stores may provide credit facilities to some of their regular customers	All sales in the multiple shops are made strictly on cash basis.
7. Flexibility	As the departmental stores deal in a wide variety of products, they have certain flexibility in respect of the line of goods marketed.	there is not much scope for flexibility in the chain stores, which deal only in limited line of products

Goods and Services Tax

- The Government of India, following the credo of 'One Nation and One Tax', and wanting a unified market in order to ensure the smooth flow of goods across the country implemented the Goods and Services Tax (GST) from July 1, 2017.
- The move also aims to make life easier for manufacturers, producers, investors and consumers.
- GST is a destination-based single tax on the supply of goods and services from the manufacturer to the consumer, and has replaced multiple indirect taxes levied by the Central and the State governments, thereby, converting the country into a unified market.
- Among other benefits, GST is expected to improve the ease of doing business in tax compliance, reduce the tax burden by eliminating tax-on-tax, improve tax administration, mitigate tax evasion, broaden the organised segment of the economy and boost tax revenues.
- The GST has replaced 17 indirect taxes (8 Central + 9 State levels) and 23 cesses of the Centre and the States, eliminating the need for filing multiple returns and assessments and rationalising the tax treatment of goods and services along the supply chain from producers to consumers.

How does it work?

- GST comprises Central GST (CGST) and the State GST (SGST), subsuming levies previously charged by the Central and the State governments respectively.
- GST (CGST + SGST) is charged at each stage of value addition and the supplier off-sets the levy on inputs in the previous stages of value chain through the tax credit mechanism.
- The last dealer in the supply chain passes on the added GST to the consumer, making GST a destination-based consumption tax.
- The provision of availing input credit at each stage of value chain helps in avoiding the cascading effect (tax on tax) under GST, which is expected to reduce prices of commodities and benefit the consumers.



Some Facts about GST

1. GST aims to subsume a plethora of taxes into one single tax across the country and make goods uniformly priced across India, albeit some goods become costly and some become cheaper.
2. With the implementation of GST, luxury goods have become costlier, while items of mass consumption have become cheaper.
3. GST is not taxation at source. It is a destination tax or rather it's a consumption tax. A product is manufactured in Tamil Nadu and travels through the country before it reaches Delhi, where the buyer or consumer pays tax for it. Both the Centre and the State have their share in this tax.
4. The Indian GST will have a mechanism of matching of invoices. Input tax credit of purchased goods and services will only be available if the taxable supplies received by the supplier match the supplies received by the supplier. The Goods and Services Tax network is a self-regulating mechanism, which not only checks tax frauds and tax evasion, but also brings in more and more businesses into the formal economy.
5. Anti-profiteering measure is one of the key features of the recently implemented Goods and Services Tax law. These measures prevent entities from making excessive profits.

How will GST Benefit and Empower Citizens

- Reduction in overall tax burden
- No hidden taxes
- Development of a harmonised national market for goods and services
- Higher disposable income in hand, education and essential needs
- Customers to have wider choice
- Increased economic activity
- More employment opportunities.

Key Features of GST:

1. The territorial spread of GST is the whole country, including Jammu and Kashmir.
2. GST is applicable on the 'supply' of goods or services as against the present concept of tax on the manufacture 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 customs 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 namely 5 per cent, 12 per cent, 18 per cent and 28 per cent for all goods or services.
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 and National Electronic Funds Transfer (NEFT)/Real Time Gross Settlement (RTGS).

GST Council – Constitution

Chairperson: Finance Minister

Vice Chairperson is to be chosen amongst the Ministers of State Government

Members: MoS (Finance) and all Ministers of Finance/Taxation of each State

Quorum is 50% of total members

States have two-third weightage and Centre has one-third weightage

Decision is taken by 75% majority

The Council shall make recommendations on everything related to GST including, rules and rates, etc



Chapter 11: International Business

Meaning:

- International or external business=
 - Those business activities (Manufacturing and trade) that take place across the national frontiers i.e. beyond the boundaries of one's own country.
- It involves not only the international movements of goods and services, but also of capital, personnel, technology and intellectual property like patents, trademarks, know-how and copyrights.

Basis of difference between Internal and External trade

1. Nationality of buyers and sellers:
 - both belong to different nationalities
2. Differences in business systems and practices:
 - W.r.t their socio-economic development, availability, cost and efficiency of economic infrastructure and market support services, and business customs and practices due to their socio-economic milieu and historical coincidences.
3. Nationality of other stakeholders:
 - Other stakeholders are employees, suppliers, shareholders, partners and general public.
 - Decision making for international business is more complex as stakeholders belong to different nationalities.
4. Political system and risks:
 - Political factors such as the type of government, political party system, political ideology, political risks, etc., have a profound impact on business operations.
5. Mobility of factors of production:
 - i.e. labour and capital
 - There are restrictions w.r.t movement of factors of production between nations.
6. Currency used in business transactions:
 - Since the exchange rate, i.e., the price of one currency expressed in relation to that of another country's currency, keeps on fluctuating, it adds to the problems of international business firms in fixing prices of their products and hedging against foreign exchange risks.
7. Customer heterogeneity across Markets:
 - As the buyers are from different countries, they differ in their socio-economic backgrounds and hence their demand patterns.
8. Business regulations and policies:
 - Laws, regulations and economic policies are more or less uniformly applicable within a country whereas they differ widely among nations.

Reason for International Business

- Some countries are in an advantageous position in producing select goods and services which other countries cannot produce that effectively and efficiently.
- As a result, each country finds it advantageous to produce those select goods and services that it can produce more effectively and efficiently at home, and procuring the rest through trade with other countries which the other countries can produce at lower costs.

Difference between International Business & Domestic Business: Basis

- | | |
|--|--|
| 1. Nationality of buyers and sellers | 2. Differences in business systems & practices |
| 3. Nationality of other stakeholders | 4. Political system and risks |
| 5. Mobility of factors of production | 6. Currency used in business transactions |
| 7. Customer heterogeneity across Markets | 8. Business regulations and policies |

Scope of International Business:

- | | |
|------------------------------------|--------------------------------|
| 1. Merchandise exports and imports | 2. Service exports and imports |
| 3. Licensing and franchising | 4. Foreign investments |

Benefits of International Business**To the Nations:**

- | | |
|---|------------------------------------|
| 1. Earning of foreign exchange | 2. More efficient use of resources |
| 3. Improving growth prospects and employment potentials | 4. Increased standard of living |

To the Firms:

- | | |
|---------------------------------|--|
| 1. Prospects for higher profits | 2. Increased capacity utilization |
| 3. Prospects for growth | 4. Way out of intense competition in domestic market |
| 5. Improved business vision | |

Problems Involved In International Business

1. Different currencies used
2. Customer heterogeneity: examples of failed business due to non understanding of customers' tastes and preferences.
3. Political system and risks
4. Differences' in business systems
5. Nationality of buyers, sellers and other stakeholders
6. Mobility of factors of production: mobility is low due to distance and time involved
7. Blocking up of capital: due to time lag

Export Procedure

- | | |
|---|--|
| (i) Letter of enquiry | (ix) Obtaining certificate of origin |
| (ii) Receipt of order or indent: | (x) Reservation of shipping space |
| (iii) Assessing importer's creditworthiness and securing a guarantee for payments | (xi) Packing and forwarding |
| (iv) Obtaining export license | (xii) Insurance of goods |
| (v) Obtaining pre-shipment finance | (xiii) Customs clearance |
| (vi) Production or procurement of goods: | (xiv) Obtaining mates receipt |
| (vii) Pre-shipment inspection | (xv) Payment of freight and issuance of bill of lading |
| (viii) Excise clearance | (xvi) Preparation of invoice |
| | (xvii) Securing payment |

Import Procedure

1. Trade enquiry
2. Procurement of import license
3. Obtaining foreign exchange
4. Placing order or indent
5. Obtaining letter of credit
6. Arranging for finance
7. Receipt of shipment advice
8. Retirement of import documents
9. Arrival of goods
10. Customs clearance and release of goods

Documents Involved In International Trade**1. Performa Invoice:**

- The exporter sends a reply to the enquiry sent by a prospective buyer in the form of a quotation (referred to as Performa invoice) that contains information about the price at which the exporter is ready to sell the goods and also provides information about the quality, grade, size, weight, mode of delivery, type of packing and payment Terms.

2. Indent:

- In case the prospective buyer (i.e., importing firm) finds the export price and other terms and conditions acceptable, it places an order for the goods to be dispatched. This order, also known as INDENT contains a description of the goods ordered, prices to be paid, delivery terms, packing and marking details and delivery instructions.

3. Letter of Credit:

- After receipt of the indent, the exporter makes necessary enquiry about the creditworthiness of the importer. The purpose underlying the enquiry is to assess the risks of non-payment by the importer. Most exporters demand a *letter of credit* from the importer. A **letter of credit** is a guarantee issued by the importer's bank that it will honour payment up to a certain amount of export bills to the bank of the exporter. A letter of credit is a guarantee issued by the importer's bank that it will honour up to a certain amount the payment of export bills to the bank of the exporter. Letter of credit is the most appropriate and secure method of payment adopted to settle international transactions

4. Certificate of Inspection:

- For ensuring quality, the government has made it compulsory for certain products that these be inspected by some authorized agency. Export Inspection Council of India (EICI) is one such agency which carries out such inspections and issues the certificate that the consignment has been inspected as required under the Export (Quality Control and Inspection) Act, 1963, and satisfies the conditions relating to quality control and inspection as applicable to it, and is export worthy. Some countries have made this certificate mandatory for the goods being imported to their countries.

5. Marine Insurance Policy:

- It is a certificate of insurance contract whereby the insurance company agrees in consideration of a payment called premium to indemnify the insured against loss incurred by the latter in respect of goods exposed to perils of the sea.

6. Shipping Order:

- The exporting firm applies to the shipping company for provision of shipping space. It has to specify the types of goods to be exported, probable date of shipment and the port of destination. On acceptance of application for shipping, the shipping company issues a *shipping order*. A shipping order is an instruction to the captain of the ship that the specified goods after their customs clearance at a designated port be received on board.

7. Shipping Bills:

- The goods must be cleared from the customs before these can be loaded on the ship. For obtaining customs clearance, the exporter prepares the *shipping bill*. Shipping bill is the main document on the basis of which the customs office gives the permission for export. Shipping bill contains particulars of the goods being exported, the name of the vessel, the port at which goods are to be discharged, country of final destination, exporter's name and address, etc.

8. Mate's Receipt:

- The goods are then loaded on board the ship for which the mate or the captain of the ship issues *mate's receipt* to the port superintendent. A mate receipt is a receipt issued by the commanding officer of the ship when the cargo is loaded on board.

9. Bill of Lading:

- The C&F agent surrenders the mate's receipt to the shipping company for computation of freight. After receipt of the freight, the shipping company issues a *bill of lading* which serves as an evidence that the shipping company has accepted the goods for carrying to the designated destination. In the case the goods are being sent by air, this document is referred to as *airway bill*.

10. Certificate of Origin,

- The certificate of origin acts as a proof that the goods have actually been manufactured in the country from where the export is taking place. This certificate can be obtained from the trade consulate located in the exporter's country.

11. Bank Certificate of Payment:

- Bank certificate of payment is a certificate that the necessary documents (including bill of exchange) relating to the particular export consignment has been negotiated (i.e., presented to the importer for payment) and the payment has been received in accordance with the exchange control regulations. After the shipment of goods, the exporter informs the importer about the shipment of goods. The importer needs various documents to claim the title of goods on their arrival at his/her country and getting them customs cleared. The documents that are needed in this connection include certified copy of invoice, bill of lading, packing list, insurance policy, certificate of origin and letter of credit.

12. Consular Invoice:

- A document certifying a shipment of goods and shows information such as the consignor, consignee and value of the shipment. A consular invoice can be obtained through a consular representative of the country you're shipping to. The consular invoice is required by some countries to facilitate customs and collection of taxes. A consular invoice also has a copy of the

commercial invoice in the language of the country, giving full details of the merchandise shipped. In general, the purpose is to provide the foreign customs authority with a complete, detailed description of the goods so that the correct import duty can be levied.

13. Documentary bill of exchange (DA/DP):

- Bill of exchange is an order to the importer to pay a certain amount of money to, or to the order of, a certain person or to the bearer of the instrument.
- Documentary bill of exchange can be of two types:
 - Document against sight (sight draft):
 - In case of sight draft, the documents are handed over to the importer only against payment. The moment the importer agrees to sign the sight draft, the relevant documents are delivered.
 - Document against acceptance (usance draft).
 - The documents are delivered to the importer against his or her acceptance of the bill of exchange for making payment at the end of a specified period, say three months.
- On receiving the bill of exchange, the importer releases the payment in case of sight draft or accepts the usance draft for making payment on maturity of the bill of exchange. The exporter's bank receives the payment through the importer's bank and is credited to the exporter's account.
- The exporter, however, need not wait for the payment till the release of money by the importer. The exporter can get immediate payment from his/ her bank on the submission of documents by signing a *letter of indemnity*. By signing the letter, the exporter undertakes to indemnify the bank in the event of non-receipt of payment from the importer along with accrued interest. Having received the payment for exports, the exporter needs to get a bank certificate of payment.

World Trade Organization (WTO) Meaning and Objectives

- At the global level, there exist various international organizations such as the World Bank, IMF, and WTO for fostering economic cooperation, trade and investments among the countries. WTO is the only global international organization which deals with the rules and regulations of trade between different nations.
- An arrangement called General Agreement for Tariffs and Trade (GATT) was evolved to promote trade through reduction of tariff and non-tariff barriers. GATT came into existence with effect from 1st January 1948 and remained in force till December 1994. Since 1st January 1995, GATT has been transformed into World Trade organization (WTO). Unlike GATT, WTO is a permanent body and has a global status similar to that of IMF and World Bank.
- WTO agreements cover trade in not only goods but also in services and intellectual property through various agreements such as Agreement on Textiles and Clothing (ATC), General Agreement on Trade in Services (GATS), Agreement Relating to Trade in Intellectual Property (TRIP) and Agreement on Agriculture (AOA). As the principal international body concerned with solving trade problems between countries and providing a forum for multilateral trade negotiations, it has a global status similar to that of the IMF and the World Bank. India is a founding member of WTO. As on 11th December 2005, there were 149 members in WTO.

Basic objectives of WTO

- The basic objectives of WTO are similar to those of GATT, i.e.,
 1. Raising standards of living and incomes,
 2. Ensuring full employment,
 3. Expanding production and trade, and
 4. Optimal use of the world's resources.

- The major difference between the objectives of GATT and WTO
 1. The objectives of WTO are more specific and also extend the scope of WTO to cover trade in services.
 2. WTO objectives talk of the idea of 'sustainable development' in relation to the optimal use of the world's resources so as to ensure protection and preservation of the environment.

- Keeping in view the above discussion, we can state more explicitly the following as the major objectives of WTO:
 1. To ensure reduction of tariffs and other trade barriers imposed by different countries;
 2. To engage in such activities which improve the standards of living, create employment, increase income and effective demand and facilitate higher production and trade;
 3. To facilitate the optimal use of the world's resources for sustainable development; and
 4. To promote an integrated, more viable and durable trading system

EXPORT PROCEDURE

(i)

- The prospective buyer of a product sends an enquiry to Different exporters requesting them to send information regarding price, quality and terms and conditions for export of goods.
- The exporter sends a reply to the enquiry in the form of a quotation (referred to as proforma invoice) that contains information about the price at which the exporter is ready to sell the goods and also provides information about the quality, grade, size, weight, mode of delivery, type of packing and payment Terms.

Proforma Invoice				Date				
Shipper/Exporter		Exporter Reference		Customer Reference				
Bill To		Terms of Payment		Export Date				
Consignee/Ship To		Incoterms		Import License Number				
		Ship Via		IMCO Code				
		Carrier Name		TIN				
		Letter of Credit Number						
		Marks and Numbers						
		Special Instructions						
		Hazardous Material						
		Packing Information						
Item #	Quantity	U M	Product ID	Product Description	HTS No	CIO	Unit Price	Total
Shipping Number								

(ii) Receipt of order or indent:

- In case the prospective buyer (i.e., importing firm) finds the export price and other terms and conditions acceptable, it places an order for the goods to be dispatched.
- This order, also known as....., contains a description of the goods ordered, prices to be paid, delivery terms, packing and marking details and delivery instructions.

(iii) Assessing importer's creditworthiness and securing a guarantee for payments:

- After receipt of the indent, the exporter makes necessary enquiry about the creditworthiness of the importer.
- The purpose underlying the enquiry is to assess the risks of non-payment by the importer. Most exporters demand a *letter of credit* from the importer.

A **letter of credit** is a guarantee issued by the importer's bank that it will honor payment up to a certain amount of export bills to the bank of the exporter.

Purpose of letter of credit

.....

.....

.....

**Doe Lending Bank
(Letter Head)**

Current Date

RE: John Smith (Borrower's Name)

**To Washington County Circuit Clerk,
Bette Stamps**

Please be advised that Doe Lending Bank has made a commitment to John Smith to purchase property being sold on (date of sale). This commitment is good for the purchase price of up to \$200,000.00.

Signed

(iv) Obtaining Export License:

- Export of goods in India is subject to custom laws which demand that the export firm must have an export license before it proceeds with exports. Important pre-requisites for getting an export license are as follows:
 - ✓ Opening a bank account in any bank authorized by the Reserve Bank of India (RBI) and getting an account number.
 - ✓ Obtaining Import Export Code (IEC) number
 - ✓ Registering with appropriate export promotion council.
 - ✓ Registering with Export Credit and Guarantee Corporation (ECGC)
- An export firm needs to have the Import Export Code (IEC) number as it needs to be filled in various export/ import documents from the Director General for Foreign Trade (DGFT)
- It is necessary for the exporter to become a member of the appropriate export promotion council and obtain a Registration cum Membership Certificate (RCMC) for availing benefits available to export firms from the Government.

APPLICATION FOR A LICENCE TO EXPORT ANTIQUITIES.

1. Name of applicant... Fanny Shamith.....

2. Address of applicant 22, ELERMAN St., Singapore.....

3. Particulars of antiquities for which a licence is sought.
(if space does not suffice a separate list should be attached).
Amphora of White Painted Ware.....

4. How did these antiquities come into the applicant's possession.
Private collection.....

5. Ultimate destination of the antiquities. New York, U.S.A.....

Date: 3.7.80..... F. Shamith.....
(Signature of applicant).

FOR OFFICIAL USE ONLY	REMARKS
(a) Exportation of items authorised (b) Exportation of items not authorised Signature..... Title..... Date.....	<u>Declared!</u> <u>Exportable</u> <u>4/8/80</u>
Export licence No. <u>7446</u> ...issued For authorised items by Signature Title..... Date.....	Authorised items packed and sealed by Signature <u>Jeyapalan Arion</u> Title <u>Rep. Sec. Member</u> Date <u>5.7.80</u>

(v) Obtaining pre-shipment finance:

- Pre shipment finance = finance that the exporter needs for procuring raw materials and other components, processing and packing of goods and transportation of goods to the port of shipment.

(vi) Production or procurement of goods:

- Get the goods ready as per the specifications of the importer.

(vii) Pre-shipment inspection:

- Initiated by The Government of India to ensure that only good quality products are exported from the country.
- Compulsory inspection of certain products by a competent agency as designated by the government.

(viii) Excise clearance:

- As per the Central Excise Tariff Act, excise duty is payable on the materials used in manufacturing goods.
- The exporter, therefore, has to apply to the concerned Excise Commissioner in the region with an invoice. If the Excise Commissioner is satisfied, he may issue the excise clearance. But in many cases the government exempts payment of excise duty or refunds it later on it if the goods so manufactured are meant for exports.
- The idea underlying such exemption or refund is to provide an incentive to the exporters to export more and also to make the export products more competitive in the world markets. The refund of excise duty is known as duty drawback.

(ix) Obtaining certificate of origin:

- The certificate of origin acts as a proof that the goods have actually been manufactured in the country from where the export is taking place.
- This certificate can be obtained from the trade consulate located in the exporter's country.

(x) Reservation of shipping space:

- The exporting firm applies to the shipping company for provision of shipping space. It has to specify the types of goods to be exported, probable date of shipment and the port of destination. On acceptance of application for shipping, the shipping company issues a *shipping order*.
- A shipping order is an instruction to the captain of the ship that the specified goods after their customs clearance at a designated port be received on board.

(xi) Packing and forwarding:

- The goods are then properly packed and marked with necessary details such as name and address of the importer, gross and net weight, port of shipment and destination, country of origin, etc.
- The exporter then makes necessary arrangement for transportation of goods to the port.

(xii) Insurance of goods:

- The exporter then gets the goods insured with an insurance company to protect against the risks of loss or damage of the goods due to the perils of the sea during the transit.

(xiii) Customs clearance:

- The goods must be cleared from the customs before these can be loaded on the ship.
- For obtaining customs clearance, the exporter prepares the *shipping bill*.

- Shipping bill is the main document on the basis of which the customs office gives the permission for export.
- Shipping bill contains particulars of the goods being exported, the name of the vessel, the port at which goods are to be discharged, country of final destination, exporter's name and address, etc.

(xiv) Obtaining mates receipt:

- The goods are then loaded on board the ship for which the mate or the captain of the ship issues *mate's receipt* to the port superintendent.
- A mate receipt is a receipt issued by the commanding officer of the ship when the cargo is loaded on board,

(xv) Payment of freight and issuance of bill of lading:

- The C&F agent surrenders the mates receipt to the shipping company for computation of freight.
- After receipt of the freight, the shipping company issues a *bill of lading* which serves as an evidence that the shipping company has accepted the goods for carrying to the designated destination.
- In the case the goods are being sent by air, this document is referred to as *airway bill*.

(xvi) Preparation of invoice:

- After sending the goods, an invoice of the dispatched goods is prepared. The invoice states the quantity of goods sent and the amount to be paid by the importer.

(xviii) Securing payment:

Bank certificate of payment is a certificate which says that the necessary documents (including bill of exchange) relating to the particular export consignment has been negotiated (i.e., presented to the importer for payment) and the payment has been received in accordance with the exchange control regulations.

IMPORT PROCEDURE

Trade enquiry:

The first thing that the importing firm has to do is to gather information about the countries and firms which export the given product. After that the importing firm approaches the export firms with the help of a *trade enquiry* for collecting information about their export prices and terms of exports. A trade enquiry is a written request by an importing firm to the exporter for supply of information regarding the price and various terms and conditions on which the latter is ready to exports goods. After receiving a trade enquiry, the exporter prepares a quotation and sends it to the importer. The quotation is known as *proforma invoice*.

Procurement of import licence:

The importer needs to consult the Export Import (EXIM) policy in force to know whether the goods that he or she wants to import are subject to import licensing. In case goods can be imported only against the licence, the importer needs to procure an import licence. In India, it is obligatory for every importer to get registered with the Directorate General Foreign Trade (DGFT) or Regional Import Export Licensing Authority, and obtain an Import Export Code (IEC) number.

**Obtaining foreign exchange:**

As per the rules in force, every importer is required to secure the sanction of foreign exchange. For obtaining such a sanction, the importer has to make an application to a bank authorised by RBI to issue foreign exchange.

**Placing order or indent:**

After obtaining the import licence, the importer places an import order or indent with the exporter for supply of the specified products. The import order contains information about the price, quantity size, grade and quality of goods ordered and the instructions relating to packing, shipping, ports of shipment and destination, delivery schedule, insurance and mode of payment.

forward it to the overseas supplier.



Arranging for finance: The importer should make arrangements in advance to pay to the exporter on arrival of goods at the port.

**Receipt of shipment advice:**

After loading the goods on the vessel, the overseas supplier dispatches the *shipment advice* to the importer.

A shipment advice contains information about the shipment of goods. The information provided in the shipment advice includes details such as invoice number, bill of lading/airways bill number and date, name of the vessel with date, the port of export, description of goods and quantity, and the date of sailing of vessel.

**Retirement of import documents:** (it means handing over)

Having shipped the goods, the overseas supplier prepares a set of necessary documents as per the terms of contract and letter of credit and hands it over to his or her banker.

The set of documents normally contains bill of exchange, commercial invoice, bill of lading/airway bill, packing list, certificate of origin, marine insurance policy, etc.



Arrival of goods: Goods are shipped by the overseas supplier as per the contract. The person in charge of the carrier (ship or airway) informs the officer in charge at the dock or the airport about the arrival of goods in the importing country. He provides the document called *import general manifest*. Import general manifest is a document that contains the details of the imported goods. It is a document on the basis of which unloading of cargo takes place



Customs clearance and release of goods: All the goods imported into India have to pass through customs clearance after they cross the Indian borders. Customs clearance is a complicated process and calls for completing a number of formalities. It is, therefore, advised that importers appoint C&F agents.

Part A: Foundation of Business

Topic : Unit 1: Nature and Purpose of Business

1. Define Business activities.



Learning Objectives:

- After doing this assignment, the student will be able to understand and differentiate between the different forms of business organization
- They will be able to understand the nitty gritty involved in forming a private or a public company

Topic: Unit 1: Nature and purpose of business

- Q1 Mr. Mukul sold his furniture and car on OLX as he was shifting base to New Zealand. Is this a business activity? Which feature of business is being referred here?
- Q2 Tea is mainly produced in Assam, while cotton in Gujarat and Maharashtra but they are required for consumption in different parts of the country. How can this hindrance of place be removed?
- Q3 Darshan Sharma prepares 'soanpapri' for customers during Diwali season every year. He prepared more 'soanpapri' due to increased demand with adulterated ingredients. He employed women and children for packing and paid them salary. This way he generated good profit from himself.
- a) Which objective of business is not fulfilled?
- Q4 Mr. Mahesh is an orthopedic surgeon in Ganga ram hospital and Mr. Harish, his friend is an eye specialist who has set his own clinic. Mr. Harish's wife, Mrs. Savita operates her Jewelry shop. Compare and differentiate the nature of tasks undertaken by them on any three bases.
- Q5 Anshul, Abir and saksham are close friends who have recently completed their studies. When they meet their teacher Mr. Gaurav he enquires from each one of them about their career plans. But none of them has a definite reply Mr. Gaurav suggests to them that they can opt for business as a promising and challenging career. Saksham got excited by the idea and says "Yes, business is really good for making lots of money even more than what is possible by becoming a manager."
- Do you agree that business is meant only for minting money? Give two reasons supporting your answer.
- Q6 Harsh is a well-known orthopedic doctor in Agra. He runs his private clinic under the name 'Joint and Bone Clinic'.
- In context of the above case:
- a) Identify the type of economic activity that Harsh is engaged in.
- b) State the feature of the type of economic activity as identified in part (a) of the question.
- Q7 Name and explain the two characteristics of business which involve possibility of loss.
- Q8 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.
- a) Identify them
- b) Also, explain 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.

Q9 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 context of the above case:

- (i) Identify the different type of economic activities both the friends are engaged in.
- (ii) Distinguish between the two different types of economics activities as identified in part(i)(on any three basis)

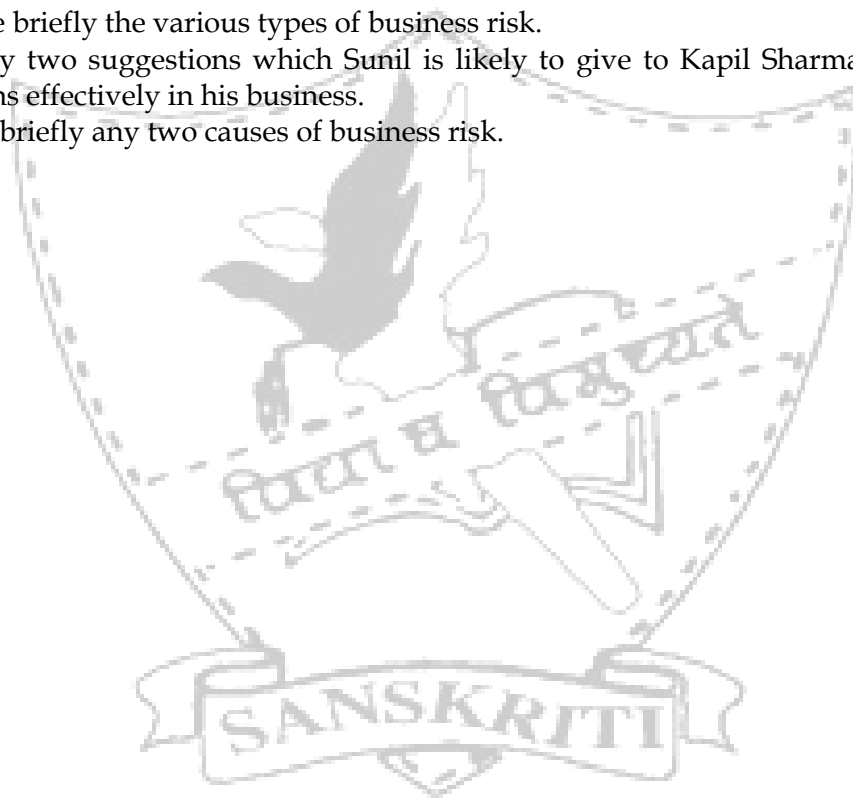
Q10 Kapil Sharma wants to start a business of fashionable items. But he is hesitating to go ahead with his plans because of the various kinds of risks which are inherent in every business .He consults his friend Sunil in this regard for guidance about ways to overcome such situations effectively in his business.

In context of the above case

Describe briefly the various types of business risk.

State any two suggestions which Sunil is likely to give to Kapil Sharma to overcome such situations effectively in his business.

Explain briefly any two causes of business risk.



Learning Objectives:

After doing this assignment, the student will be able to understand and differentiate between the different forms of business organization

They will be able to understand the nitty gritty involved in forming a private or a public company

Unit 2: Forms of Business Organisations

- Q1 Dharvi started an export business in the form of a private company along with her uncles Mr. Danush Kumar and Mr. Manush Kumar. Later on, she came to know that Mr. Manush Kumar had forged the signatures of Mr. Danush Kumar on the Memorandum of Association. She now fears that the Incorporation of the company will be considered invalid? In context of the above case according to you, will the incorporation of company be considered invalid? Why or why not?
- Q2 Explain the two systems that govern membership in the family business?
- Q3 Recently Rajat, a friend of Shrey, who is a partner in an audit firm 'Shanker Enterprise' on Shrey's request accompanies him to a business meeting with 'Prabhu Enterprises' and actively participates in the negotiation process for a business deal. Rajat gives the impression that he is also a partner in 'Shanker Enterprise'. Later on, credit is extended to 'Shanker Enterprise' on the basis of these negotiations. In context of the above case Can legally binding partnership arise where no formal partnership agreement is in effect? Explain with reference to Rajat.
- Q4 Mr. Lakshit Aggarwal owns an ancestral house in Shimla. On the advice of his friend he converts it into a lodge with renovation. The revenue from the lodge helps to supplement his income substantially. On his death the property (lodge) is inherited by his three sons in order of their age namely, Lakshay, Luv and Lok who carry on with the business under the form of Joint Hindu Family Business. In context of the above case:
- Name the law which governs the Joint Hindu Family Business.
 - Who amongst the three brothers has the right to exercise control over the family business?
 - Comment upon the liability of the three brothers.
- Q5 A syndicate of a three persons namely, Akanksha, Ann and Devesh was formed to purchase the Tech Solutions Company and to promote and register a company to which the Tech Solution Company property was to be resold. At that time the Tech Solutions Company was in a bad shape. The syndicate first bought the debentures of the Tech Solutions Company at a discount. Then they brought the company for ₹44, 00,000. Out of this money, provided by them, the debentures were repaid in full and a profit of ₹40,000 was made thereon. They promoted a new company and sold Tech Solution Company to it for ₹54,00,000. The profit of ₹10,00,000 was revealed in the, prospectus, but not the profit of ₹40,000. It was held that the profit of ₹40,000 was a secret profit made by the syndicate as promoters of the company. In context of the above case:
- 'Promoters of a company enjoy a fiduciary position with the company, which they must not misuse'. Explain with reference to the above case.
 - What course of action can the company take in the event of non-disclosure of any secret profit made by the promoters?
- Q6 Saikripa Private Ltd. was in the process of incorporation. The promoter of the company

signed an agreement for the purchase of ten computers for the company and payment was to be made to the suppliers of the computers by the company after incorporation. The company was incorporated and the computers were used by it. Shortly after incorporation, the company went into liquidation and the debt could not be paid by the company for the purchase of the computers. As a result, suppliers sued the promoters of the company for the recovery of money.

In context of the above case:

- (a) During the promotion of the company the promoters enter into certain contracts with third parties on behalf of the company as described above. What are these types of contract known as?
- (b) Examine whether promoters can be held liable for payment in the above case.

Q7 Amul is an Indian dairy cooperative, based at Anand in the state of Gujarat. It was formed in 1946 and is a brand managed by a cooperative body, the Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF), which today is jointly owned by 3.6 million milk producers in Gujarat. Amul spurred India's White Revolution, which made the country the world's largest producer of milk and milk products. In the process, Amul became the largest food brand in India and has ventured into markets overseas.

- (a) What is a cooperative society?
- (b) Why do you think Amul was promoted in the form of cooperative? Explain by giving any four merits of a cooperative society form of business organization.

Q8 Parul is doing an export business. Every time she would procure an export order, she felt stressed and had an anxiety about completing it on time. Few years later, her younger sister Esha, after completing a course in fashion designing, joined her in business as a partner. Consequently, Parul realized that her level of stress and anxiety related to business operations had reduced considerably and she had started feeling more relaxed. However, at the same time she noticed that since both of them differ in their choice of colours for making garments lot of time is being wasted in reaching a mutual consent.

- a) Identify and explain the related merit of partnership being highlighted in the paragraph.
- b) Also, state the related demerit of partnership being described in the paragraph.

Q9 Farhan and Farida after completing a bachelor degree course in mass communication and media planning plan to promote two different advertising companies in Nagpur and Kanpur, respectively. As promoter they have been advised to take steps to prepare certain legal documents, which have to be submitted under the law, to the Registrar of Companies for getting the company registered.

In context of the above case:

- (a) Can they file an exactly same Memorandum of Association for the two proposed companies? Why or why not?
- (b) Is it necessary for every company to prepare separate Articles of Association? Why or why not.

Q10 Jagat is running a grocery store under the name 'Morning Needs' in a local market. He takes all decisions about business himself, without any interference from others and also earns a direct reward for his risk bearing. In context of the above case:

- (a) Identify and define the form of business organization in which Jagat has promoted his business.
- (b) State any four features of this form of business organization.

Learning objective: After finishing this assignment, the student should be able to
Understand and differentiate the various forms of public enterprises.
Develop an understanding of global enterprises
Understand the concept of Private Public Partnership - PPP

Unit 3: Private, Public & Global Enterprises

- Q1 'Indian Railways' is a part of railway ministry. It is organized, financed and controlled by railway ministry. The finances are allocated from government treasury and whatever revenue it earns is deposited to government treasury only. It is treated as a part of government and even the appointment, recruitment and selection of employees is done in the same way as that of civil servant.
Name the type of public sector enterprise railway is considered as and How does it get its finance?
- Q2 Recently, the Central Government decided to sell 9.5% of its shares in N.T.P.C. through a public offer. Identify the government policy referred here.
- Q3 Dharvi started an export business in the form of a private company along with her uncles Mr. Danush Kumar and Mr. Manush Kumar. Later on, she came to know that Mr. Manush Kumar had forged the signature of Mr. Danush Kumar on the Memorandum of Association. She now fears that the Incorporation of the company will be considered invalid? In context of the above case according to you, will the incorporation of company be considered invalid? Why or why not?
- Q4 To gain competitive strength and technological benefit, Delhi manufacturing Ltd. joined hands with Delhi Distribution Ltd. a couple of years back. Now they both realized that it has benefitted them in many other ways also. Name the business organization formed by Delhi Manufacturing Ltd. and Delhi Distribution Ltd. also state any two benefits of it, other than mentioned above.
- Q5 Name the following:
- A corporation established under a special law of parliament.
 - An organization runs by a department of the government.
 - A company whose 51% of equity share capital is contributed by the government.
 - The sector where business enterprise is owned jointly by the government and the private entrepreneurs.
- Q6 Nestle S.A. is a Swiss transnational food and drink company headquartered in Vevey, Vaud, Switzerland. It has been the largest food company in the world. Nestle has over 8,000 brands with a wide range of products across a number of markets, including coffee, bottled water, milkshakes and other beverages, breakfast cereals, infant foods, performance and health care nutrition, seasonings, soups and sauces, frozen and refrigerated foods, and pet food.
In context of the above case:
- What form of enterprise is Nestle?
 - State any three features of the form of enterprise as identified in part a) above
- Q7 With exponential growth seen in domestic air traffic requiring additional airport infrastructure, the government has decided to offer more airports to private parties for operation and

management. In India as many as 300 airports need to be revived and upgraded in coming years to support the double-digit growth in the sector. This would require huge private investment as public funds are limited for infrastructure development. In February 2017, government announced that airport infrastructure will be built under the PPP model in smaller cities and towns. Besides, major airport in Delhi, Mumbai, Bangalore and Hyderabad had been handed out to private developers.

In context of the above case:

- (a) Outline the concept of PPP.
- (b) State any three features of a PPP model.

Q8 'India post' is the part of ministry of Government of India. It is fully managed, controlled, and financed by the concerned ministry. The annual budget of the ministry makes provision for the funds needed by the department. This is not an autonomous independent institution and the ministry is answerable to the Parliament for its functioning

- i. Name and define the sector under which "India post" comes?
- ii. Name the kind and concerned ministry of this organization?
- iii. What are the other types of organizations that come under this sector?
- iv. How is this kind of organization different from other types of organizations in the same sector on the basis of finance?
- v. What values does the government keep while running this sector?

Q9 Bharat Heavy Electricals Limited (BHEL) was founded in the year 1964 by the Government of India. It is the largest power plant equipment manufacturer in the country with 74% market share in the power sector. It has a network of 17 manufacturing units, 2 repair units, 4 regional offices, 8 service centers, 8 overseas offices, 15 regional center, 7 joint ventures, and infrastructure allowing it to execute more than 150 project at sites across India and abroad. It has been granted the prestigious Maharatna (big gem) status in the year 2013 by Government of India for its outstanding performance and vast scale. Maharatna status affords the Boards of these companies enhanced financial and operational autonomy.

In context of the above case:

- (a) How will you classify Bharat Heavy Electrical Limited (BHEL) as a form of public sector enterprise?
- (b) State any three features of the form of public sector enterprise as identified in part (a) of the question.
- (c) Explain briefly 'financial and operational autonomy' as a merit of the type of public sector enterprise as identified in part (a) of the question.

Q10 Life Insurance Corporation of India is the largest insurance company in India. It is headquartered in Mumbai. It was founded in the year 1956 when the Parliament of India passed the Life Insurance of India Act that nationalized the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation.

In context of the above case:

- (a) Life Insurance Corporation of India is classified as which form of public sector enterprise?
- (b) Was it necessary for the Parliament of India to pass the Life Insurance of India Act for its formation? What does the Act define?
- (c) State any three merits of promoting Life Insurance Corporation of India in a particular form of public sector enterprise as identified in part (a) of the question.

Learning Objective: After finishing the assignment, the student will be able to differentiate between the different types of business services
Understand the types of bank accounts
Explain the various principles of insurance
Identify and differentiate between the different types of Insurance.

Unit 4: Business Services

- Q1 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 context of the above case:
Identify the feature of services being discussed above
- Q2 Tata sky is a direct broadcast satellite television provider in india.it was incorporated in the year 2004. Tata sky is a joint venture between the Tata group and 21st century Fox. Its primary competitors in this segment are Airtel Digital TV, Dish TV, sun direct, reliance digital TV, DD free dish and Videocon D2H.
In context of the above case:
a) Identify the type of service is being provided by Tata sky.
b) Explain briefly any two other telecom services available in our country.
- Q3 Narinder bought a life insurance policy for himself. He was suffering from a chronic disease which he did not mention before the insurer while buying the life insurance policy. Later on this fact came into notice of the insurance company.
a) Name the principle of insurance neglected by the insured.
b) Is Narinder or his legal heir entitled to receive any compensation in such case?
c) What values are included in the contract of insurance based on the principle in such situation?
- Q4 As part of the Grandparents Day celebrations, healing touch, a private hospital provided free treatment to all the patients living in an old age home called 'Pukar'.the employees of the hospital also contributed 1%of their salaries to a common fund and deposited the amount in a fixed deposit account opened in the name of a patient suffering from cancer.
a) Explain any 2 features of a fixed deposit account.
- Q5 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) Insurer is not liable for any uninsured causes or perils.
c) Insured must have some economic interest in the subject matter of Insurance.
d) Insurer can stand in the position of the insured once the claim is settled.
e) To claim for insurance the insured must take reasonable steps to minimize the loss
f) Insured is entitled to recover the loss suffered by him, up to the limit of Policy amount.

- Q6 Armaan gets his house insured against fire of ₹ 10 lakh with insurer A and for ₹ 5 lakh with insurer B. A loss of 3 lakh occurred. How much compensation can he claim from A and B? Why?
- Q7 Principle of insurable interest is a fundamental principle of insurance. Explain when it should be present in case of life insurance, fire insurance and marine insurance.
- Q8 'People National Bank' has been established under Public Private Partnership Model. The bank is offering various services to its customers. Their customers are happy and satisfied with the quality of services provided. The bank also spend amount towards building public conveniences. In the light of the above information answer the following questions:
- Define Public Private Partnership.
 - Define 'Recurring Deposit Account' and 'Multiple option deposit account' as types of bank accounts.
 - Explain the term 'bank draft'.
 - List any two values which the bank wants to communicate to the society by discharging its social responsibility.
- Q9 Over the years internet has revolutionized our lives. One of the significant utility of the internet is in the banking sector. It has paved way for innumerable new e-banking opportunities to the advantage of both the business and their customers. In context of the above case.
- What is banking over internet known as?
 - State any four advantages of banking over internet.
 - Briefly explain NEFT as banking service.
- Q10 Radha stays in Kashipur, a city of Udham Singh Nagar district, in the Indian state of Uttarakhand. She sees a job advertisement in the newspaper and decides to apply for the same through post. Her father advises her to send the application through registered post instead of an ordinary mail. In context of the above case.
- How is registered post different from an ordinary mail?
 - Explain briefly any two other postal services available in our country.

Learning objectives: After finishing the assignment, the student will be able to:
 Understand the nuances of E-business
 Identify and explain outsourcing – BPO and KPO

Unit 5: Emerging Modes of Business

Q1	Identify the risk involved in it and briefly explain other such possible risks. Mr. Kartik placed an online order with Mr. Ganesha, vendor of laptop but even after fifteen days the product was not delivered. On enquiry he came to know that it was delivered at a wrong address?
Q2	Mr. X placed an online order with Mr. Y, vendor of vacuum cleaner but even after Ten days the product was not delivered. On enquiry he comes to know that it was Delivered at a wrong address. Identify the risk involved in it and briefly explain other such possible risks
Q3	Himanshu wanted to sell his mobile phone but does not get any buyer. On his friend's suggestion he posted the mobile on sale on www.olx.com and found a buyer within two days. Identify and explain the type of e-business highlighted here.
Q4	Data may be intercepted in the cause of transmission. For this, one may convert the normal message into a coded language so that unauthorized person may not understand it. What is the name given to this technology? Explain.
Q5	Many MNCs have been focusing their attention on outsourcing some of their non-core activities to India for getting maximum benefit from the low cost manpower due to the easy availability of labour at cheaper rates and weak implementation of labour laws. Name the concern of outsourcing being referred here
Q6	Use of the internet has considerably reduced the dependence on paperwork and has created a paperless society. Many companies in the corporate sector are emphasizing on the use of the Internet to communicate, sourcing of supplies and components in a paperless fashion, and government sector is also increasingly moving in this direction by allowing electronic filing of returns and reports. a) Which mode of business is helping the society to become paperless? b) Name some values that can be attained by the business sector by adopting such mode of conducting business.
Q7	Your friend is of that opinion that 'Traditional business involves handling and carrying more cash by both buyers and sellers which was highly risky but online Payment mechanism is safer'. Is he correct? Explain any four such online payment mechanisms.
Q8	"There is a system in which consumer interact with the firms for the purchase of goods". Explain the system briefly. What are its advantages?
Q9	Mr. Pankaj was running a home-furnishing business through his physical (brick and mortar) store in Panipat. He was observing that the sales were declining over the past two

	<p>years. His friend Rohan suggested that he should tie up with online market places. On his advice, he contacted Flipkart, which provided him training and convinced him that he could do his business from his shop and Godown. The online partner provided all sorts of services round the clock at a click of the mouse. He received the orders from far and wide and saw that his sales multiplied manifold. He felt he could see slow sale for some products that require face-to-face communication.</p> <ol style="list-style-type: none"> Identify the modes of business before and after associating with Flipkart. Distinguish between the two modes of business identified in part (a). Identify merits and limitations of online business by quoting the lines from the above case
Q10	<p>Morgan's fries chicken (MFC) started its business operations in India in the late 1990s it opened a few outlets in metro cities and in other cities it had franchised outlets through which it served food. MFC also understood the fact that 65% of the Indian population is young and a good part of that population is tech savvy, using smart phones and spending a lot of time on the internet, fb and WhatsApp. Keeping this in mind the management launched online sales through a hotline number, web portal and mobile app. customers could pay online through debit card, credit card, net banking or online wallet. Instead of preparing certain foods items in -house it hired the services of outside agencies which were cheaper though management had a worry that this could lead to secret information being passed on to the competitors.</p> <p>When the company was trying to expand its market and reach more cities and towns, it attracted media criticism and public outrage when the national regulatory FSSAI found that chicken served by MFC contained MSG (flavor enhancing ingredient) nearly three times more than what was legally allowed. The top management at MFC remained unaffected by the controversy and made extensive expansion throughout the country,</p> <ol style="list-style-type: none"> Which concept is used by the company when instead of generating its own, business hires services? Identify by quoting the lines What concerns have been raised over the concept referred in a) above? Identify by quoting the lines List modes of online payment mentioned in the above case.

Learning Objective: The student will be able to:
Know the concept of social responsibility towards different groups in the society.
Analyse the affect of pollution done by industries towards the society

Unit 6: Social Responsibility of Business and Business Ethics

Q1. Business has various social responsibilities towards different interest groups. Identify the interest groups in the following responsibilities assumed by business:

- a) Establishing educational institution for the weaker section of society.
- b) Investing shareholders money to provide them maximum returns on their investment
- c) Infosys holds regular workshops to train and develop its marketing staff.
- d) Business provides good quality and unadulterated goods and services.

Q2. Over the years, several business houses in India have shown their concern for social responsibility through their contribution to health, education and rural development programmes. For instance, Tata's set up Tata institute of social sciences, Tata institute of fundamental research, and Tata memorial center. Tata steel rural development society (TSRDS) launched community development project in about 700 villages spread over Bihar, Odisha and M.P. The Lupin group launched Lupin rural support programme in Rajasthan in 1988 to provide infrastructure so that the benefits of government programmes reach the rural poor. Usha martin set up Krishi Gram Vikas Kendra in Ranchi to reduce disparity in the living standards between their workers and other rural families.

Will you justify the concern for social responsibility by business houses? Give three reasons in support of your answer.

Q3." Like an individual, a business enterprise should also be a loyal citizen of the state. "Explain

Q4. "The businessmen are responsible for aggravating pollution so it becomes the moral duty of businessman to take positive steps for controlling this problem "In the light of this statement, explain the need for pollution control.

Q5.'Removal of mobile towers from residential area is being planned by the government'.

- i. Identify the cause of pollution in the above statement? Explain other two causes of pollution?
- ii. What is environment? What is environment pollution?
- iii. What values are promoted by the government?

Q6. There is a group discussion taking place in Class XI regarding 'social responsibility of business'. Vineet feels that a business should be socially responsible towards the society as it exists in the society while Ramesh is against it as the basic objective of a business is to earn profit. Justify Ramesh by giving four arguments.

Q7. Strong Ltd., a cement manufacturing company earned a profit of ` 50 crores during the year 2017-

18. The management decided to donate 10% of their profit to an orphanage in their locality.

- a) Identify the concept behind this decision.
- b) Explain any three kinds of the concept identified in a) above.

Q8. "Business enterprises are the creators of pollution." Do you think business enterprises must take prime responsibility to control pollution?

Q9. NCR's worsening air quality may cost the Delhi half Marathon its main sponsor, Bharti Airtel. Airtel said they were a strong supporter of half marathon as it provides a vibrant platform to all citizens to celebrate the spirit of running however in view of the prevailing air pollution they don't want to back it.

Which concept is demonstrated by Airtel in initially supporting and now withdrawing the support from Marathon though law does not say anything in it? Define the concept and explain its various elements.

Q10. One of the most important changes recently in the attitude of business people has been the realization that they have social obligation to fulfill besides ensuring their own existence through profitable activity. Give reasons regarding this shift in the attitude.



Learning Objective: The student will be able to:
Understand the different sources through which a business can raise funds and differentiate between them.

Part B: Finance and Trade**Unit 7: Sources of Business Finance**

- Q1** Gurpreet is planning to start a Diagnostic Centre in Ambala. He visits his uncle Mr. Amaranth in Patiala, who is successfully running a diagnostic Centre for many years, to seek his guidance. Mr. Amaranth tells Gurpreet that the capital he needs of his business can be divided into two categories. Firstly, he will need funds to buy land and building, machinery and furniture and fixtures. Secondly, funds will be required to meet day-to-day operations such as maintaining stocks, bills receivables and for meeting current expenses like salaries, wages, taxes, and rent.
- In context of the above case:
- Identify and explain the two types of capital being described above by quoting lines from the paragraph.
 - Briefly outline any two factors that are likely to affect the requirements of each of the two types of capital as identified in part (a) of the question.
- Q2** Identify the source of finance highlighted in the following cases:
- It is permanent source of capital and is not redeemed during the life of the company.
 - It facilitates the purchase of goods and services without making immediate payment.
 - In case of winding up of the company, the capital is refunded after payment of debentures but before payment of equity shares.
 - This source put a permanent obligation on the company to pay interest every year irrespective of profits.
 - Their holders enjoy right to vote and control the company.
 - This source involves ploughing back of profit.
- Q3** ABC LTD. Is planning to expand their business and need money. The finance manager reported that company is not in a position to bear extra burden of paying interest and equity shareholders insisted not to issue more shares as there is risk of losing control on issue of shares in the market. Suggest a source of owner's fund suitable in the above case.
- Q4** Recently when mosaic ltd. was falling short of funds to meet the flotation cost of its upcoming issue of preference shares, the company raised deposits from Rosaic ltd. which had surplus funds.
- In context of the above case:
- Identify and explain the source of finance being discussed above.
 - State any two limitations of the source of finance as identified in part (a) of the question.
- Q5** Rakesh plans to set up an environment friendly textile factory. He plans to use fossil fuels to make paint, plastics and polymers. Since the waste water from textile processing and dyeing contain residues, he has also decided to ensure its appropriate treatment before it is released into the environment. He is planning to approach a special financial institution to raise loans for his business. In context of the above case critically analyze financial institutions as a source of finance.
- Q6** Gunjan cinemas area popular film entertainment company in Delhi. Keeping in view the growing

culture of multiplex its owners have decided to make some changes in the interiors like creating lounge area, installing more effective sound system Etc. The Company wants to raise the required funds for a period of more than one year but less than five years. In context of above case:

- a) Identify and explain the type of funds that Gunjan cinema seeks to raise on the basis of time period.
- b) Explain any one appropriate source of the type of funds identified in part (a) also, state its merits.

Q7 Rajiv fashion, a reputed garment manufacturing unit needs to find its day-to-day expenses like wages, rent, maintaining stock of raw material, etc. The owner approaches his raw material supplier to give them credit for two months, so that he can get cloth for making garments without immediate payment. The supplier made an enquiry regarding Rajiv and found that his reputation of giving payment is not very good. In past the lenders were not very happy.

- a) What source of finance Rajiv is trying to get in above case? explain it briefly
- b) Should the raw material supplier grant credit to Rajiv fashion house?
- c) What values are being implemented in the above case?

Q8 After reading an advertisement in the newspaper about an upcoming public issue of preference shares of a pharmaceutical company, Tushar made up his mind to invest money in that issue. Later on, he discussed his plan with his friend Vikesh who is a stock broker. Vikesh on the contrary advised him to invest in equity instead. Give any three possible reasons because of which Vikesh wants Tushar to invest in equity and not in preference shares.

Q9 'Ruchika Ltd.' a reputed IT company in India want to tap the huge amount of resources for its growth and expansion from U.S.A for long term needs. It also needs money for a period of less than three years to meet its medium as well as short term needs. The company is following practice of educating and giving employment to underprivileged youth. 50% of its office electricity is generated through solar power.

- a) Explain ADR as a source of finance used by the company to meet its requirement.
- b) Discuss the role of American bank in ADR?
- c) What instruments will be used if an American company wants to raise funds from Indian financial market?

Q10 Ann has been successfully running a soft skills training company for the past five years in Bangalore. Her company has become popular and enjoys good reputation in the city. She now plans to start a chain of soft skills training centers and has identified four strategic places for the same in the city. Till now she has been managing all the financial requirements of her business through the profits made in her business. However, in order to implement her expansion plans funds will have to be raised externally. In the context of the above case:

- a) Till now she has been managing all the financial requirements of her business through the profits made in her business'. Name the source of funds being mentioned in the statement and justify the use of such source (any two).
- b) Suggest any external source of funds that Ann can use to finance her expansion plans. Also, give any two features of such source of finance.
- c) Explain briefly any one source through which Ann can raise funds through Britain's capital markets.

Learning Objective: The student will be able to:
Understand the importance and different government agencies and schemes which help small business in our country
Know the different categories of small business as per MSMED Act

Unit 9: Small Business:

Q1. Manish has set up a manufacturing unit to produce all kinds of school and office supplies such as pencils, pens, paper of different varieties, notebooks, etc. in Noida. His total investment in Plant and Machinery is about 3 crore. Identify the category into which his business will fall as per the MSMED Act, 2006.

Q2. Parineeta has set up in a Ghaziabad unit to manufacture various types of home decorations items. She deals in various kinds of vases, chimes, figurines, and other things that can beautify houses. She now wishes to export her products to different countries and develop export-worthiness. In context of the above case briefly describe any one such agency that she can approach in this regard.

Q3. Yaangba lives in Manipur. He has started a jute bag making business on a small scale basis. With the increasing awareness about the environment pollution the demand for jute bag has increased exponentially. Jute fabrics are strong, durable, light and ideal for transporting bulk food items. Explain any one agency he can approach he can approach for seeking assistance in setting up his business.

Q4. After completing her Masters in medicine, Nitya has opened a small nursing home in the hilly area of Valparai. Valparai is a Taluk and hill station in the Coimbatore district of Tamil Nadu, India. It is located 3500 feet above sea level on the Anaimalai Hills range of the Western Ghats. What are the incentives that are likely to be made available to her from Government of India for promoting small business?

Q5. Abhimanyu is running a small catering business in Delhi wherein the food is prepared purely as per customized specifications. He had started this business primarily because he perceived an opportunity for entrepreneurship in it due to changing life styles of people. As the size of organisation is small quick and timely decision can be taken without consulting many people, unlike a large sized organisation. In context of the above case explain the role of small business.

Learning Objective: The student will be able to:

Know the different names given to business units – big and small which they see on a daily basis.

Unit 10: Internal Trade

- Q1 'Suman spices ltd.' selling spices to Rakshit Bros. agrees to pay all the expenses up to Vishakhapatnam port. Identify the term of trade?
- Q2 Geeta recently came across an advertisement of a portal weight reducing equipment in the newspaper. The product is being manufactured by a small trader and is available for sale throughout the country by placing an order through post. The buyer has been given an option of cash on delivery as a payment option. State the type of retail trade being described in the above case.
- Q3 Ajay is a trader dealing in low cost fashionable footwear. In order to sell his merchandise he opens his shop on fixed days in different markets. In context of the above case:
- How would you classify Ajay as a type of retailer?
 - Name the category of the type of retail trade as identified in part (a).
 - Briefly explain any two other types of retailers which fall in the same category as Ajay as identified in part (a)
- Q4 Mayuk is a retailer of plastic products in Kolkata. Recently, he returned goods worth ₹ 1,00,000 to one of the wholesalers as he found that the quality of the supplies was not up to the mark. At the same time, Mayuk issued a document to the wholesaler indicating a reduction in his (wholesaler) account to the extent of value of the goods returned. Moreover, he received another document from the transporter of goods as he had sent the returned goods by road. In context of the above case:
- Identify and explain the two documents being described above.
 - Explain any two other documents which are also used in internal trade.
- Q5 Identify the types of retailers highlighted in the following statements:
- Hitesh sells only school uniforms
 - Paras deal only in second hand books.
 - Raman displays his goods on bus-stands or pavements.
 - Harish sells goods from one street to another, from one locality to another.
- Q6 A German based company manufacturing washing machines wish to add two new products in India namely air conditioners and refrigerators. Out of the number of applicants the company chooses two wholesale firms (headed by females) whose proposals were very competitive and attractive. The wholesaler firm of air conditioner hired the services of a (differently able retailer) Rohit at competitive prices to sell air -conditioners in Delhi. Rohit informs his wholesaler firm 'head that the consumers of Delhi wish that their houses are cold when they reach their homes in the scorching heat of Delhi. He also tells him that he will take appropriate steps to implement their sales promotion schemes.
- Explain those two services rendered by retailers to wholesalers and manufactures which are highlighted in the above Para by quoting lines.

- Q7 Puma stores are networks of retail shops owned and operated by puma company. These shops operate in different parts of country. One can easily identify these shops in any part of the country as they have same appearance; even their interior is also identical. All the shops are supplied the goods from head office only and all the policies for all branches are made by head office only. Even store sell some goods at uniform prices.
- State the type of retail store mentioned in above case.
 - Explain any three advantages of the above retail store.
- Q8 Ruchika a village girl comes to Delhi to visit her relatives. She goes with her cousin to a large retail showroom having number of departments under one roof. Each of the department is like a separate shop with centralized purchasing, selling and accounting. She becomes surprised by the varieties of goods which are sold here.
- Identify the type of fixed shop retailer highlighted above.
 - Explain its any two features by quoting the lines from the above Para.
 - Explain any two advantage of such retailer.
- Q9 Tarun owns a coaching center in Alwar. He has often observed students buying eatables from street vendors before and after the classes at his center. This habit of the students used to disturb him as roadside food is neither of good quality nor is it hygienically prepared. Thus, for the benefit of the students he recently installed an automated machine at his center which dispenses various kind of food items on inserting a coin.in context of the above case:
- What does an automated machine refer to in the above lines?
 - List any two limitations of the type of marketing method identified in part a) from the customer's point of view.
- Q10 The Indian chamber for commerce and industry had recently organized 'water India's water expo' in June 2017 in Pane. It was the most exclusive trade show on the Indian water industry. It had offered business opportunities to the national players from the water industry to learn and explore the future trend of the Indian water market. A large number of satisfied exhibitors showed their presence in the exhibition displaying wide array of products and services related to water treatment plants, reverse osmosis, reuse and recycling, softening, filtration etc.in context of the above case:
- Why was the Indian chamber for commerce and industry formed?
 - Explain briefly any four points highlighting the role of chambers of commerce and industry in the promotion of internal trade.

Learning Objective: The student will be able to:
Enumerate the various procedures involved in export and import
Have knowledge about WTO and GATT

Unit 11: International Business

Q1. Shidhvin wants to exports his surplus production to other countries. For this purpose, he wishes to secure payment from the importer. Suggest the document which will help shidhvin to secure guarantee of the payment.

Q2.'Trishav Exports Limited' exports goods to different countries. The agent receives acknowledgement from the captain of the ship when the goods are loaded on the ship. Name the receipt.

Q3.'Athera Cosmetics Manufacturers Limited' is a China based company manufacturing cosmetics. They send a query and seek quotation from 'Emani Limited', the manufacturer and exporter of cosmetics in India. After having received the indent and securing guarantee for payment, Emani limited contacts 'Exim Expertize Private Limited' to guide for further steps to execute the order. Describe the next three steps after securing payment which would be suggested by the consultant.

Q4. When Jayant joined his family business last year, after completing his MBA from a premier institute in India, he had an inheritance to build on. His great grandfather had ventured into the gold jewellery business 80 years ago by opening the first shop in Kolkata's jewellery hub, Bowbazar. Presently his family owns a chain of 40 jewellery stores in different parts of the country, besides exporting to Dubai, Singapore, the US and UK.

In context of the above case: Identify the two kinds of trade Jayant's family is engaged in on the basis of area and differentiate between the two types of trade (any five points).

Q5. The Government of India dreams to make India a manufacturing hub and encourages the foreign companies to manufacture goods in India under its 'Make in India' initiative. In February, 2017, 'The Apple India Private Limited', California-based I-phone maker Apple Inc. (Incorporated), signed an agreement with the Karnataka government to set up a manufacturing plant in Bengaluru. Apple's decision on manufacturing has further enhanced the reputation of Bengaluru as the most preferred destination for foreign investment. This decision would not only help 'Apple' to improve its growth prospects in India but also it would create employment opportunities, access to new technology and ultimately higher standard of living for Indians.

- By quoting the lines, identify the benefits of international business to the nation mentioned in the above case.(any two)
- State any two ways of doing international business.

Q6.Rekha Garments has received an order to export 2000 men's trousers to swift Imports Ltd. located in Australia. She is planning to import machinery for the same with latest technology

from Germany. Explain the various steps of import procedures that Rekha Garments would need to go through before placing an order for the machine.

Q7. ABC Ltd. is a leading manufacturer of medical appliances in India. His company is famous for selling quality goods in a wide variety in the country. His most selling medical appliances include sterile gloves, surgical face masks, surgical caps and other surgical disposables. He has recently procured an export order for these medical appliances and has to obtain his IEC code number. Since he has ready stock of goods to be exported he wishes to complete all other formalities before applying for the reservation of shipping space.

In context of the above case:

- a) State the procedure to obtain IEC number.
- b) What are the formalities that ABC Ltd. has to complete before applying for the reservation of shipping space?
- c) Explain the document that will be issued by the shipping company once his request for reservation of shipping space accepted.

Q8. Deliver Ltd. is a reputed company in the field of Garments manufacturing in India. The company manufactures superior quality products. But the management is worried about its future prospects. The company is facing certain problems.

- The domestic prices of its garments are low.
- Under-utilization of capacity.
- Demand for garments is saturated in domestic market.

A meeting is called by the board of directors to discuss the matter. The members arrived at a conclusion that “Internationalization of Business” is the final solution to the problems faced by the company. Such internationalization will result in benefits to the company as well as to the nation. The company is also planning to adopt a village and teach various embroidery skills to the women which will help them to earn.

- a) Define international trade.
- b) Write any two benefits of international trade to the firm

Q9. Rohit and Gurvinder are partners selling electronic products across India. They import the components from China and assemble them in their factory established in a rural area of Jharkhand. Most of the workers in the factory are children and women. They are paid very less salaries thus owners save on labour cost. They sell their products across India and in nearby countries like Bangladesh, Nepal and Srilanka. They store their stocks in a warehouse but do not take proper safety measures against fire or burglary. There was a short circuit in the factory and as result most of the stock was damaged. They filed a claim with insurance company but their claim was rejected.

- a) Identify which type of business Rohit and Gurvinder were doing? Give reason to support your answer.
- b) Explain any two problems faced by the type of business mentioned in (a)

Q10. It was decided in ‘Bretton Woods Conference’ that an International Trade Organization (ITO) would be set up to promote and facilitate international trade among its member

countries. But the idea did not succeed. However, the participants of the conference agreed on an agreement known as GATT and were finally able to transform GATT.

- a) Name the organization so formed.
- b) What does GATT stand for?
- c) What value should be kept in mind while making International Trade regulation.



Worksheet I: Chapter 1 – Nature and Purpose of Business**PART A:**

- I. State whether the following statements are true or false by writing 'T' against true statement and 'F' against false statement.
- A doctor attending to patients in his/her clinic is engaged in an economic activity.
 - A mother stitching clothes for her children is an economic activity
 - A tailor stitching clothes for his customer is engaged in a non economic activity.
- II. State which of the following activities are economic and which are non-economic :-
- Playing football with friends.
 - Teaching in a school.
 - Attending to one's relative who is unwell.
 - Listening to a radio.
 - Selling fruits and vegetables in the local market.
 - Preparing food at home for family members.
 - Working in an office

PART B:

- I. Fill in the blanks with suitable words :
- The economic activity in which one is engaged on a regular basis is called his/her_____.
 - A professional requires _____ and training in a particular field.
 - The occupation in which people work for others and earn fixed income is called _____.
 - A professional body regulates every profession by laying down the _____ for all professionals.
 - The terms and conditions of employment are decided by the _____.
- II. Match the phrases in column A with those in column B:

Column A	Column B
i. Primary objective of business	a. Special skill
ii. Primary objective of profession	b. Making profit
iii. Essential requirement for a profession	c. Profession
iv. Occupation of a Chartered Accountant	d. Providing service



PART C:

- I. Rahul, a shopkeeper, is engaged in a number of activities, which he calls as business. Examine each of them and state whether you agree with him or not. Write 'Agree' or 'Disagree' against each statement:

- i. Rahul sold bread to customers in his shop.
- ii. He bought a pen to gift it to his younger sister
- iii. He sold his old television set to his neighbour for Rs. 3,000.
- iv. Rahul bought eggs from the poultry farm to sell to his customers.
- v. Rahul sells a packet of milk worth Rs. 10 to a customer for Rs. 12.
- vi. Rahul bought vegetables worth Rs. 30 for his family.
- vii. He distributed biscuits free of cost to poor children from his shop.

- II. Given below are some statements about business. Some are right and some are wrong. Write 'R' against right statements and 'W' against wrong statements:

- i. Business has no role to play in national integration as it only deals in goods and services.
- ii. Business does not contribute to improvement in the standard of living of the people.
- iii. Industrial research is carried out to develop new and innovative products.
- iv. Business does not allow import of goods from foreign countries.
- v. Business helps in reducing poverty by generating employment.
- vi. Business creates a positive image of the country through display and sale of products in international trade fairs and exhibitions.

PART D:

Given below are some statements relating to the economic objectives of business. Some statements are true and some are false. Identify the true statements:

- i. Creation of demand for goods is the primary objective of business.
- ii. Profits are expected to be earned by businessmen in proportion to the amount of capital invested in business.
- iii. It is not always necessary for businessmen to make the best possible use of materials.
- iv. Businessmen should use profits earned from the business only for their own living.
- v. Generation of employment is the primary economic objective of business.



PART E:

State which of the following statements relating to social objectives of business are right and which are wrong?

- i. Social objective of business is based on the assumption that what is good for business is also good for society.
- ii. Production and supply of quality goods to the consumer is the social objective of business.
- iii. Creation of demand for the product is a social objective of business.
- iv. Establishment of sports complex for the public is the economic objective of business.
- v. Hoarding and black-marketing are considered desirable on the part of business.

PART F:

Below are given some statements regarding human objectives of business.

State which of them are “true” and which are “false”:

- i. Businessmen should pay proper remuneration which will motivate the workers for work.
- ii. Business units should provide social and psychological satisfaction to the employees.
- iii. Businessmen should not help disabled persons unless they are employed in business.
- iv. Business units should ignore the suggestions given by the employees while taking important decisions.
- v. Helping physically handicapped persons in the society is an economic objective of business.

PART G:

Fill in the blanks with suitable word(s) from those given in brackets:

- i. To produce and distribute essential goods at a reasonable price is a/an _____ objective of business. (social, national, human)
- ii. To help the country to become self-reliant business units should aim at increasing _____. (export, import, prices)
- iii. Business units should pay taxes honestly and _____. (occasionally, frequently, regularly)
- iv. Business should provide equal opportunities to all its _____. (owners, employees, suppliers)

PART H.

I. Tick the correct alternative.

- i. Industry is concerned with production/ distribution.
- ii. Commerce is mainly concerned with production/ distribution.
- iii. One who buys and sells in large quantities is a wholesaler/retailer.
- iv. The medium which moves men, materials from one place to another is called insurance/transport.

II. Dalmia Oil Mills produce refined oil. The entire production is lifted by Ruchi Oil Depot, who in turn sells it to various retailers. Mrs. Priti purchased 2 kg of oil from Balaji Groceries.

Name the following:

Name

- i) Manufacturer: _____
- ii) Wholesaler: _____
- iii) Retailer: _____
- iv) Consumer: _____

PART I:

Multiple Choice Questions

- i. The industries engaged in growing of plants are known as:
 - (a) Construction Industries
 - (b) Manufacturing Industries
 - (c) Extractive Industries
 - (d) Genetic Industries.
- ii. Industries engaged in the construction of building, roads and bridges etc. are known as
 - (a) Construction Industries
 - (b) Manufacturing Industries
 - (c) Extractive Industries
 - (d) Genetic Industries.
- iii. Aid to trade includes
 - (a) Banking
 - (b) Manufacturing
 - (c) Buying
 - (d) Selling

Worksheet II**Chapter 2 – Forms of Business Organisation –Sole Proprietorship and Partnership****Part .1**

Fill in the blanks with suitable words in the following statements relating to sole proprietorship business :

- i. The sole proprietor may not be able to raise adequate _____ for the expansion of business.
- ii. The life of the business depends on the life of the _____.
- iii. Due to limited financial resources and limitation of the expertise of the owner, the business may lack professional _____.
- iv. The business is suitable for simple business where _____ skill is required.
- v. Sole proprietorship best caters the needs of customers where the market for the product is _____ and _____.

Part .2

Fill in the blanks with appropriate word given in bracket.

- i. It is _____ (not necessary, necessary) to get the partnership firm registered.
- ii. The partnership firm is a _____ (flexible, rigid) form of business organization.
- iii. In partnership, business risk is _____ (shared, not shared) by all the partners.
- iv. Partnership is a/an _____ (group, individual) effort.
- v. LLP act was framed in the year _____. (2008, 2010)

Part .3

I. Fill in the blanks by choosing a suitable word(s) :

- (i) HUF stands for _____
- (ii) _____ successive generations can simultaneously inherit the ancestral property.
- (iii) Members of Joint Hindu Undivided family are known as _____
- (iv) Oldest member of the Joint Hindu Undivided family is known as _____
- (v) _____ has unlimited liability.

II. Multiple Choice Questions

- i. Himanshi is running a business in sole-proprietorship. Due to loss in business she decided to wind up her business. On the day of winding up the assets are worth Rs. 5 lakhs and

liabilities (all creditors) are worth Rs. 10 lakhs. Himanshi has her personal property of Rs. 600000. How much do you think the creditors will get at the time of winding up of business?

- (a) Rs. 5 Lakhs
- (b) Rs. 10 lakhs
- (c) Rs. 7 lakhs
- (d) Rs 11 lakhs

ii. Limitations of sole Proprietorship do not include.

- (a) Limited Capital
- (b) Lack of Continuity
- (c) Unlimited size
- (d) Lack of Managerial Expertise.

iii. Indian Partnership Firms are governed by Indian Partnership act

- (a) 1932
- (b) 1956
- (c) 2008
- (d) 1912

iv. Characteristics of JHF do not include

- (a) Membership by birth
- (b) Unlimited Liability of Karta
- (c) Unaffected by death
- (d) Youngest Member of family is Karta.

v. Members of Joint Hindu Family are known as:

- (a) Partners
- (b) Members
- (c) Coparceners
- (d) Owners

Worksheet III:**Chapter 2 – Forms of Business Organization –Sole Proprietorship and Partnership****Part 1:**

Fill in the blanks with suitable word(s) in the following statements:

- i. A co-operative society is a _____ association of individuals who come together to achieve common _____ objectives.
- ii. The motive of cooperative society is to provide _____ to the members.
- iii. A cooperative society have separate _____ from the members.
- iv. A co-operative society works on the principle of self-help as well as _____.
- v. Consumers' co-operative societies help to eliminate _____ in the process of distribution goods.
- vi. Apna Bazar and Kendriya Bhandar are example of _____ co-operative societies.

Part 2:

Which of the following statements about co-operative societies are true or false?

- i. Any competent person can become a member of a cooperative society, at any time.
- ii. The liability of the members is limited.
- iii. It can exist for a long time due to a legal entity separate from its members.
- iv. The society is managed by one person only.
- v. The Co-operative Societies are formed to provide service rather than maximizing profit.
- vi. Co-operative Societies are formed to provide service rather than maximizing profit.
- vii. Professional managers do not prefer to work in co-operative societies because they do not get adequate remuneration.
- viii. The success of a cooperative society depends on the loyalty of its members, something that is neither assured nor can be enforced.

Part 3:

Which of the following statement is True and which is False?

- i. Legal formality is required to form a Joint Stock Company.
- ii. The shares of a public limited company are freely transferable.
- iii. The shareholders of a Joint Stock Company have unlimited liability.
- iv. A Joint Stock Company cannot own property on its own name.

Part 4:

Fill in the blanks with suitable word(s) in the following statements:

1. There should be at least _____ members in a Private Limited Company.
2. Freely transfer of shares from one member to another is not possible in case of _____ Limited Company.
3. Hindustan Machine Tools is _____ Company.
4. Minimum amount of capital required to start a private limited company is Rs _____.

Part 5:

Fill in the blanks with suitable word(s) in the following statements:

- i. The liability of members of a joint stock company is limited to the extent of the _____.
- ii. A joint stock company form of business organization is managed by _____.
- iii. The cost of formation of a company is very _____.
- iv. Indian Oil Corporation and ONGC are the example of _____.
- v. The risk of loss in a company is spread over a large number of _____.

Part 6:

I. Given below are some statements about Multinational Company. State which of them are true and which are false:

- (i) Multinational Companies slow down the economic development of the under developed countries.
- (ii) Multinational Companies help to earn foreign exchange for the host countries.
- (iii) Domestic producers improve their performance because of Multinational Companies.
- (iv) Generally Multinational Companies invest money in profitable industries.
- (v) Multinational Companies never dominate the markets of the host countries.

II. Multiple Choice Questions

- i. Cooperative societies do not have the following characteristics

- a. Open Membership
 - b. Separate legal entity
 - c. Profit Motive
 - d. Voting Power
- ii. Which of the following is not an example of consumer cooperative society?
- a. Apna Bazar
 - b. Kendriya Bhandar,
 - c. Super Bazar
 - d. Narain Group Housing Society.
- iii. Liability of the members of a cooperative society is
- a. Limited
 - b. Unlimited
 - c. Joint
 - d. Joint & Several.
- iv. The success of a cooperative society depends on
- a. Loyalty of its members
 - b. Central Government
 - c. State Government
 - d. Local Self Government
- v. In a Private Limited Company, capital is contributed by:
- a. Central Government
 - b. Public and Government only
 - c. Its own members only
 - d. Issue of shares to Public only.

Worksheet IV:**Chapter 2 – Forms of Business Organisation –Sole Proprietorship and Partnership**

Max Marks: 15

Time: 30 Mts

1.	<p>Which form of business organization is suitable for the following and why:</p> <p>a. A beauty parlor</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>b. Small scale grocery store</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>c. Chartered accountancy firm</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	3
2.	<p>In which organization is trade agreement made by one owner binding on the other? Explain the reason why it is so.</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	3
3.	<p>The business assets of a firm are worth Rs 70,000 while the external liabilities are Rs 1, 00,000. Explain, with reasons, what can the creditors do if the firm is</p>	4

	<p>a :</p> <p>a. A Sole proprietorship.</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>b. A partnership with 2 partners who share profits and losses equally.</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	
4.	<p>Despite limitations of size and resources. Many people still prefer a sole proprietorship. Why?</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>.....</p>	5



Worksheet V:
Chapter 3 - Private, Public And Global Enterprises

1. What is meant by public sector?

.....

.....

2. State whether the following statements are true or false and correct the statements if needed.

(a) The objective of private sector enterprises is welfare of the customers.

.....

.....

(b) The public sector enterprises are managed by professional managers.

.....

.....

(c) The private sector enterprises concentrate on area of public utility services.

.....

.....

(d) The private sector enterprises are owned and managed by private individuals.

.....

.....

(e) The public enterprises are totally funded by the public

.....

.....

3. List any three services that are being taken care of by Departmental Undertakings.

- i.
- ii.
- iii.

4. Identify the following and categorize them into Departmental Undertakings, Statutory Corporations and Government Companies.

- i. Business Organisation established by the government and controlled by the Ministry concerned.
- ii. Organisations incorporated under a special Act of Parliament or state legislature
- iii. It is managed by the government and is subject to budgetary, accounting and audit control.

- iv. Organisation established by the government and registered under the companies Act.
 - i.
 - ii.
 - iii.
 - iv.
5. Identify the Merits and Limitations of the departmental undertakings.
 - a. The organisation fulfills the social and economic objectives of the government.
 - b. Lack of flexibility, hence cannot take quick decision.
 - c. The possibility of misuse of funds is limited.
 - d. The organisation suffers due to inefficient and incompetent staff.
 - e. The organisation is responsible to the public through the parliament.
6. State the features of statutory corporation mentioning its
 - a. Incorporation:

.....
 - b. Management

.....
7. Rectify the errors (if any) in the following sentences and write the corrected statements.
 - i. Statutory Corporations are autonomous organisations.

.....
 - ii. Statutory Corporations are registered under the Companies Act.

.....
 - iii. Statutory Corporations are motivated by profit.

.....
 - iv. The internal management of the Statutory Corporations is controlled by the Government.

.....
 - v. The capital of Statutory Corporation is provided by private industrialists.

.....
8. The main objectives of establishing Government Companies are to ensure:
 - i. Managerial autonomy
 - ii.
 - iii.
9. Classify the following statements as merit or limitation of Government Companies:
 - i. Its formation is simple and it is governed by Companies Act, 1956.
 - ii. It creates healthy competition in private sector.
 - iii. The Government Companies make delay in taking timely decisions.
 - iv. A change in Government leads to change in rules, policies and procedure of Government Company.
 - v. It has financial and administrative autonomy.
 - vi.

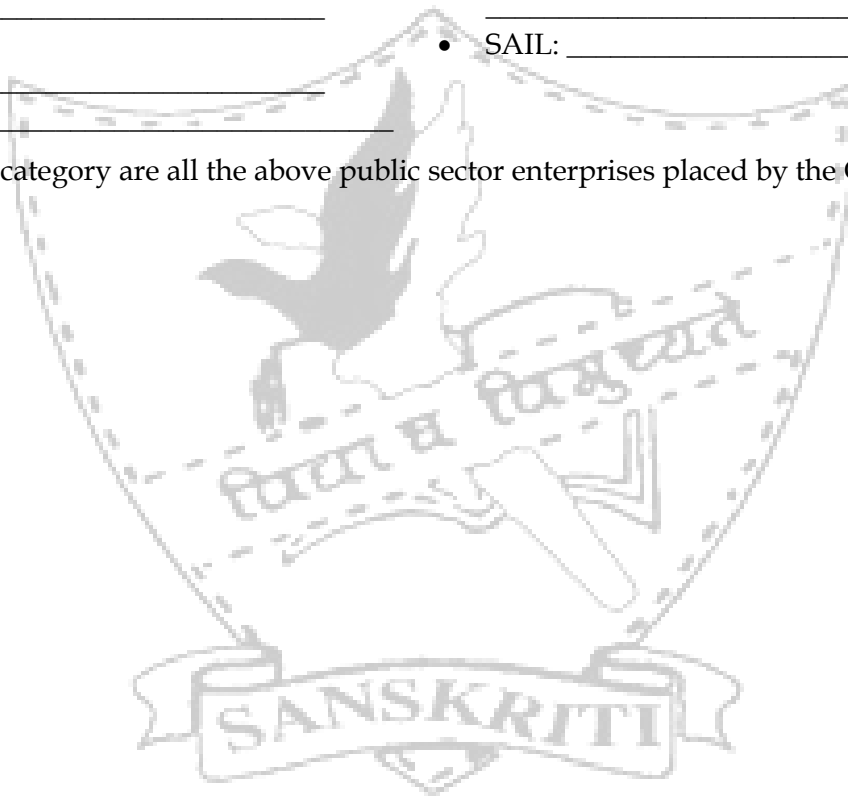
10. Enumerate the major goals achieved through public sector enterprises.

- a.
- b.
- c.
- d.
- e.

11. Expand the following:

- | | |
|---------------|---------------|
| • BHEL: _____ | • MTNL: _____ |
| • BPCL: _____ | • NTPC: _____ |
| • GAIL: _____ | • ONGC: _____ |
| • HPCL: _____ | • SAIL: _____ |
| • IOC: _____ | |

Under which category are all the above public sector enterprises placed by the Central Govt.



Worksheet VI:
Chapter 4: Business Services

1. Define Services:

.....

.....

.....

Nature of Services:

a. *Intangibility:*

.....

b. *Inconsistency:*

.....

c. *Inseparability:*

.....

d. *Inventory (less):*

.....

e. *Involvement:*

.....

f. **Basis of difference between goods and services:**

Basis	Goods	Services
1. Nature		
2. Tangibility		
3. Inseparability		
4. Involvement		
5. Homogenous Vs		

Heterogeneous		
6. Inconsistency		
7. Inventory		

Types of services:

- a. _____: used by business enterprises for the conduct of their activities.
- b. _____: services that are generally provided voluntarily in pursuit of certain social goals eg to improve the standard of living for weaker sections of society or to provide health care etc.
- c. _____: services which are experienced differently by different customers. For example, tourism, recreational services, restaurants

Examples of Business services:

- Banks
.....
- Insurance companies
.....
- Transport companies
.....
- Telecom and postal services
.....

IV. Banking:

- Banking means 'accepting, for the purpose of lending and investment of deposits of money from the public, repayable on demand or otherwise and withdraw able by cheques, draft, order or otherwise.'

- Types of Bank Accounts:**

Account/ Deposit	Purpose/Modus Operandi	Return	Benefit
1. Savings			
2. Current			
3. Recurring			
4. Fixed			
5. Multiple Option			

- Functions of Commercial Bank:**

a. _____ of Deposits:

- The most important activity of a commercial
- An interest is usually paid on the amount deposited.
- If the rate of interest is higher, public are motivated to deposit more funds with the bank.
- There is also safety of funds deposited with the bank.

b. _____ Of Funds:

- _____, _____ and _____ loans are granted to industry, trade and commerce.
- The rate of interest charged on loans and advances varies according

c. Cheque Facility: The depositors can _____ using _____ or _____.

d. Remittance of Funds:

a. The transfer of funds is administered by using _____ , _____ or _____ on nominal commission charges.

e. Allied Services. (such as bill payments, locker facilities etc)

a. Banks pay _____ , _____ , _____ of their customers on nominal commission charges.

b. They also act as custodians by providing protection to valuable articles of their clients by offering _____ where valuable non-liquid assets such as gold can be stored.

f. Real Time Gross Settlement (RTGS):

- Refers to a funds transfer on time and gross basis.
- Real time =
.....
- Available for transaction=s within India only.
- Gross settlement
.....
- Fastest method of transfer of funds. Once processed transactions are final and irrevocable.

(ii) Some important services provided by Banks:

- a.
- b.
- c.
- d.
- e.
- f.
- g.

a. Issue Of Bank Draft –

- A bank draft is a
.....
- The banks charge some commission for issuing bank drafts.

b. A Banker's Cheque (Pay Order) –

- It is an order that
.....
- It is a kind of a Bank Draft which is payable and
so the commission charged on it is lower than that charged on a Bank Draft.

c. Bank Overdraft –

- A customer who has a current account with the bank is allowed to
.....
.....
- It is a temporary arrangement. Overdraft facility with a specified limit may
be allowed either on the security of assets, or on personal security, or both.

d. Cash Credits –

- Bank allows the borrower
.....
- The amount is credited to the account of the customer which he can withdraw as
and when he requires.
- Interest is charged on the amount actually withdrawn

e. Real Time Gross Settlement (RTGS):f. National Electronic Funds Transfer (NEFT):

- Nationwide system that facilitates individuals and firms to electronically
.....
.....
- This scheme is available in major cities of the country.
- The settlement takes place at regular intervals. Account holders can transfer
fund through this system by the internet facility provided by the bank

g. E-Banking:

- Electronic banking or banking using the electronic media.

-
.....
.....
- The range of services offered by e-banking are:
 - (EFT),
 - (ATM) and
..... (PoS),
 - (EDI) and
 - Cards
 - or
..... cash.
- **Benefits of e-banking:** e-banking offers several benefits to both banks as well as the customers.
 - To customers:
 - a. Provides services
 - b. Permitted transactions from
and
 - c. by recording each and every transaction
 - d. and as they can avoid travelling with cash.
 - To bank:
 - d. Provides
 - e. Provides
 - f. Load on branches reduced by
.....
.....

V. Communication Services:

- Communication services are helpful to business for
viz., _____, _____, competitors etc. The main services which help business can be classified into postal and telecom.

- **Postal Services:** Various facilities provided by postal department are broadly categorized into:
 - _____
 - _____
 - _____

- **Financial facilities:**

- Provided through the post office's savings schemes like Public Provident Fund (PPF), Kisan Vikas Patra (KVPs), and National Saving Certificates (NSCs), etc
- Retail banking functions of Monthly Income Schemes (MIS); recurring deposits, savings account, time deposits and money order facility are also undertaken.
- It also provides Insurance Services to postal and other government employees' thro **Postal Life Insurance** and to the people living in rural areas and the weaker sections of society, thro Rural Postal Life Insurance (RPLI).

- **Mail facilities:** Deals with collection of letters and parcels from the sender to distribute among the receivers w.r.t both inland and international mails. It consists of

a. Parcel facilities –

- ➔
- ➔
- ➔

b. Registration facility –

- ➔
- ➔
- ➔

c. Speed Post –

- ➔
- ➔
- ➔

Telecom Services:

- Government intends to provide both universal services to all uncovered areas and high-level services for meeting the needs of the country's economy.
- The various types of telecom services are of the following types:

1) Cellular mobile services:

a.

2) Fixed line services:

a.

b.

c.

4) Cable services:

a.

b.

5) VSAT services:

a.

b.

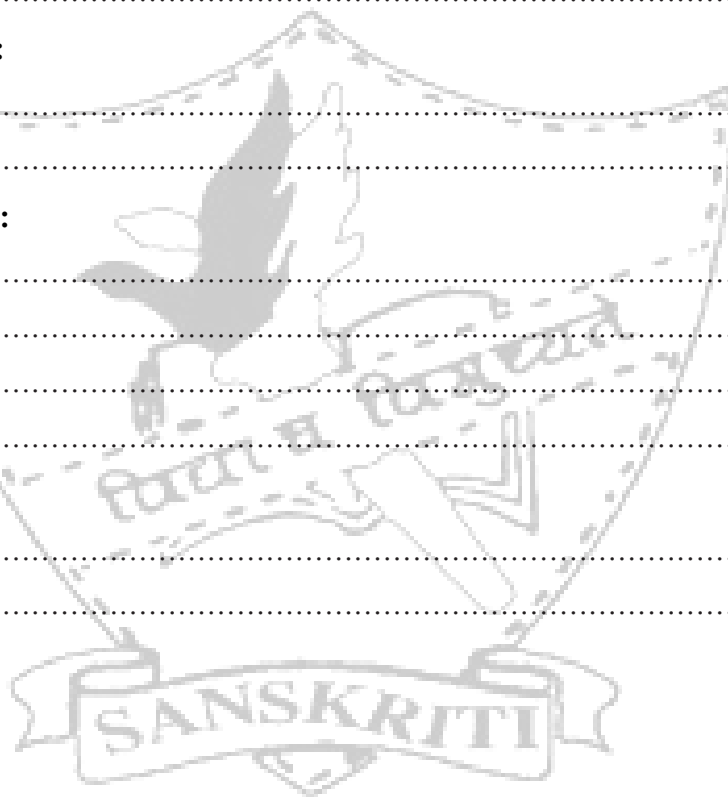
c.

d.

6) DTH services:

a.

b.



Worksheet VII: Chapter 4: Business Services – Banking & Postal & Courier Services**I. Fill in the blanks with suitable word (s):**

- i. A Bank accepts deposits from people and _____ money to those who need it for various purposes.
- ii. Banks act as _____ between people having surplus money and those borrowing money.
- iii. Banking facilitates business activities and is considered as an important auxiliary to _____.
- iv. Banks facilitate payment through _____ instead of currency.
- v. A _____ advances money out of his own private wealth and generally does not accept deposits from others.

II. Which of the following statements are True and which are false?

- i. Loans and advances are both granted by banks to customers for a long period of time.
- ii. Banks keep customers jewellery and important documents safe with them.
- iii. Banks grant loans to students for their studies at reasonable interest rate.
- iv. Discounting of bills of exchange is done by banks free of cost.
- v. Through overdraft, a customer can withdraw more money than the amount available in his/her bank account.

III. Which of the following statements are true and which are false?

- i. Deposits made in savings bank account serve to meet present as well as future needs.
- ii. A fixed amount is required to be deposited in a Fixed Deposit Account every month.
- iii. The rate of interest on deposits made in a Recurring Deposit Account is relatively higher than on savings bank deposits.
- iv. Current Deposit Account can be opened only by businessmen, not by educational institutions.
- v. Home Construction Saving Deposit Account is a type of recurring deposit account.
- vi. The rate of interest allowed on fixed deposit depends on the length of the period for which the deposit is made.
- vii. In the case of savings bank account withdrawal of money is allowed only by the account-holder.
- viii. Banks do not pay interest on the balance of current deposit account.

IV. Fill in the blanks with suitable word.

- i. Savings Bank Account can be opened with a _____ amount of deposit.

- ii. A fixed Deposit Account carries interest at a rate, which is _____ than that on savings bank account.
- iii. Overdraft facility is allowed to holders of _____ deposit account.
- iv. Money can be withdrawn from current account by issuing _____.
- v. The rate of interest allowed on the balance of recurring deposit account is _____ than the rate allowed on fixed deposit account.

V. Which of the following statements are true and which are false?

- i. Pay-in-slip is required to be used while opening a savings bank account.
- ii. Withdrawal form cannot be used by an account-holder if he/she uses cheques for withdrawing cash from savings bank account.
- iii. A savings bank account-holder cannot introduce another person at the time of opening a savings bank account.
- iv. The Pass Book must be presented by the account-holder for entering deposits and withdrawals by the bank.
- v. Application form for opening a savings bank account is available free of charge.
- vi. To make payment to a third party by cheque, the name of the party must be mentioned on the cheque.
- vii. Cheque Book is issued by the bank only on the request made by an account-holder.
- viii. A Pass Book is issued by the bank immediately after opening of the savings bank account.

VI. Fill in the blanks with appropriate word

- i. Counterfoil of the pay-in-slip is returned to the _____ by the bank.
- ii. The right-hand part of the pay-in-slip is called the _____.
- iii. A cheque needs to be attached to the _____ of the pay in slip before depositing.
- iv. Before payment of a cheque, the signature of the account holder is verified with the _____.
- v. The teller system helps quick _____ of cash by account holders.
- vi. deposit of cash into the savings bank account can be made at the _____ counter.

VII. Match the statement in column A with the word(s) / terms in column B:

Column A	Column B
i. The banking facility that helps us to make payments out of our bank account without actually carrying money with us.	a. ATM
ii. The banking facility enabling us to deposit or withdraw cash 24 hours a day.	b. Phone Banking
iii. The facility that helps us to perform banking Transactions over the Internet.	c. Credit Card
iv. We can get information about the balance in our bank account over the mobile phone using this facility.	d. Debit Card
v. The facility that enables us to make payment for purchase of goods by taking credit from the bank.	e. Net Banking

VIII. Multiple Choice Questions

i. Which of the following is not a function of Central Bank?

- Guiding and regulating the Banking System of a country
- Acts essentially as Government Banker
- Deals with the General Public
- Maintains deposit accounts of all other Banks.

ii. Which of the following is not a commercial Bank?

- State Bank of India
- Reserve Bank of India
- ICICI Bank
- Punjab National Bank

iii. Which of the following is not a type of advance provided by Commercial Bank?

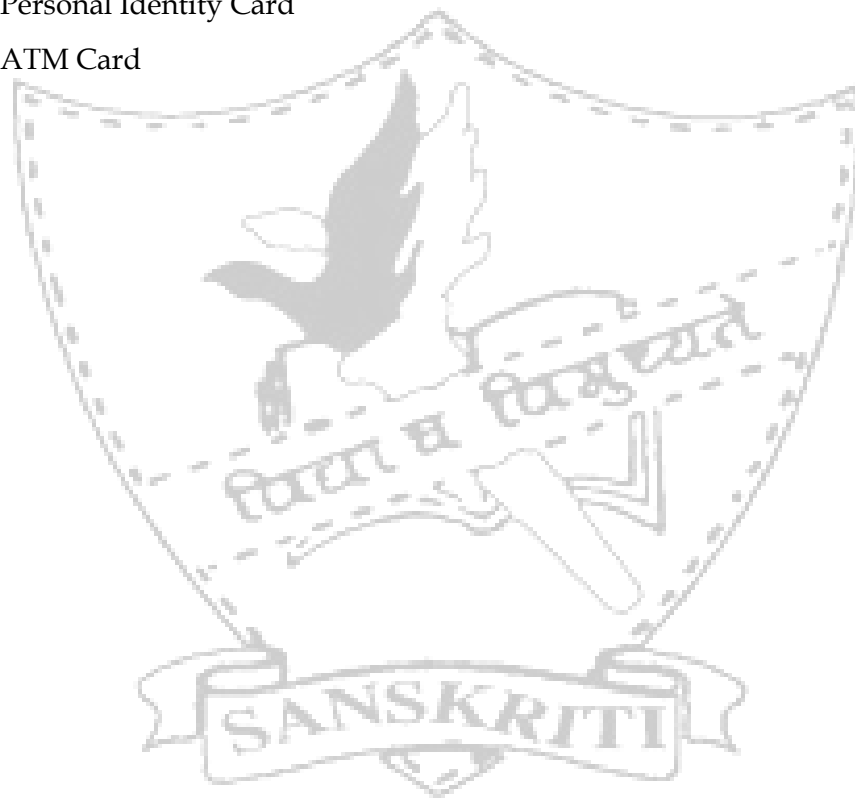
- Cash Credit
- Overdraft
- Collecting and Supplying Business Information
- Discounting of Bills

iv. Fixed Deposit Account facility is availed by:

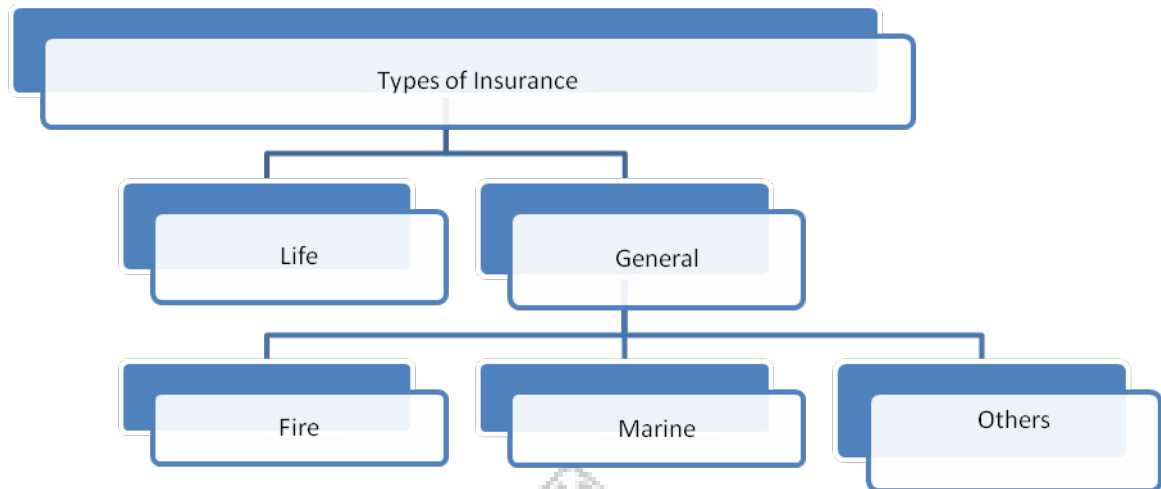
- a. Businessman
- b. Salaried people
- c. People want to save money for long period
- d. Who want to get the interest on monthly basis

v. Which is not a valid document to withdraw the money from the Bank?

- a. Cheque
- b. Withdrawal form
- c. Personal Identity Card
- d. ATM Card



Worksheet VIII:
Chapter 4: Business Services – Insurance



(Others = health, burglary, fidelity, vehicle, crop etc)

1. A factory owner gets his stock of goods insured against the risk of fire, but hides the fact that the electricity board had issued him a statutory warning letter to get his wiring changed. Eventually, the factory catches fire due to short circuit of wiring. Can he claim compensation? Why?
.....
.....
.....
2. Shubham has taken a loan from Saurabh against the security of his factory. Even though Saurabh is not the owner of the factory, can take a fire insurance policy of that factory?
.....
.....
.....
3. Rishabh insured his factory for Rs 5 lakhs against fire. Due to fire, he suffered a loss of Rs 2 lakhs. How much amount can he recover from the insurance company? Why?
.....
.....
.....
4. Aditya gets his house insured against a fire for Rs 10 lakh with insurer A and Rs 5 lakh with insurer B. a loss of Rs 3 lakhs occurred. How much compensation can he claim from A and B? Why?
.....
.....
.....
5. Sarthak has taken a fire insurance policy for his stock. Due to fire, he suffered a loss of Rs 2 lakh and gets a compensation for the same. The half burnt goods can be sold for Rs 30,000. Who has the right over this amount? Why?

-
-
-
-
6. Ashish took a marine insurance policy to cover the goods exported by him. Under this policy, goods were insured against damage caused due to sea water. During the voyage, the ship developed a hole and sea water seeped in through the hole and damaged Ashish's goods. Can Ashish claim compensation for his loss?
-
-
-
-
7. Kishore kept his goods valued at Rs 20,000 in a warehouse and had taken a fire insurance policy for the same. On the 4th of Feb, 2015, his stock caught fire. He however was not worried about the same and, as he had insured his goods against the risk of fire, did not even call the fire department for a fire engine. The actual losses amounted to Rs 15,000. How much money can he claim from the insurance company?
-
-
-
8. Principle of indemnity is not applicable to insurance.
9. What are the two types of general insurance?
- a.
- b.
10. In insurance, an insured is entitled to recover the amount of loss only, he is not allowed to make any profits. Which principle of insurance is the reason for this situation?
-
11. Name the principle of insurance that implies that the insurer is likely to compensate loss caused by loss caused by insured perils only?
-
12. Define 'Life insurance'.
-
-
-

The main elements of a life insurance policy are:

- a. Life insurance is a contract of 'utmost good faith' , that means
-

b. In case of life insurance, insurable interest must be present.....

.....
.....

c. Life insurance is not a contract of indemnity as

.....
.....

13. Define 'Fire insurance'.

.....
.....
.....

A claim for loss by fire will be met if

- a. There is an actual loss and
- b. The fire is accidental and non-intentional.

The main elements of a fire insurance policy are:

a. Fire insurance is a contract of 'utmost good faith' ,because

.....

b. In case of fire insurance, insurable interest must be present both at the time of.....and.....

.....

c. Fire insurance is a contract of strict indemnity as in the event of loss, insured can recover the actual amount of loss or the amount of policy, whichever is lower.

d. The insurer is liable to compensate only when

.....

.....

.....

14. Define 'Marine insurance'.

.....
.....
.....

The types of Marine insurance are:

- a. Ship/hull insurance: Insurance police for indemnifying the insured for losses caused due to damage to the.....
- b. Cargo insurance: Insurance police for indemnifying the insured for losses caused due to damage to the.....
- c. Freight insurance: Insurance police for indemnifying the insured for losses ofto the shipping company.

The main elements of a marine insurance policy are:

- a. Marine insurance is a contract of 'utmost good faith', because
- b. In case of marine insurance, insurable interest must be present at the time of.....
- c. Marine insurance is a contract of indemnity as in the event of loss, insured and recover the actual amount of loss.
- d. The principle of Will apply to a marine insurance contract, that is, if a loss is caused due to several factors, the nearest cause of loss will be considered to decide claims.

15. Differentiate between Life, Fire and marine insurance:

Case Study for Better Understanding of Principles of Insurance:

Aroop wanted to get fire insurance for his house and a life insurance policy for himself. The house and its contents were valued at Rs 15, 00,000. He applied to Insurance Co A for a police of Rs 10, 00,000 and Insurance Co B for a policy of Rs 5, 00,000 and paid a premium of Rs 10,000 for the first and Rs 5,000 for the second. He also took a life insurance policy of Rs 10, 00,000 on the payment of Rs 20,000 every year for 15 years.

During the year, there was a small theft in which he lost valuables worth Rs 10,000. Also, there was a fire in which he lost assets of Rs 6, 00,000. He managed to salvage some furniture from the fire and that had a scrap value of Rs 3,000.

- The insurers in this case are _____ and _____.
- The premiums paid by him are _____ and _____.

- The sums insured/assured in each case are _____ and _____.
- The term of the life insurance policy is _____.
- Which principle is violated if he deals in ammunition and also stores stocks at home and he does not disclose this fact to the insurer? _____ Can he still get the claim in that case? _____.
- Can he get his neighbors' houses insured too? Why? _____

- Can Aroop claim Rs 15,00,000 from the insurers? Why? _____

- How much can he recover from the insurers? Calculate and show. _____

- Can he claim the amount that he lost due to theft too? Why? _____

- Could he claim the amount of loss in case he knew about the fire but did not call the fire brigade nor took any steps to douse the fire? _____

- Who will the amount recovered from the scrap furniture go to? Why: _____

- How is the life insurance contract that he has taken different from the other insurance contracts?



Worksheet for Better Understanding: Insurance

Q1. Which of the following statements are true and which are false?

- (i) The possibility of loss or damage to goods or human beings is known as risk.
- (ii) Change of fashion is a personnel risk.
- (iii) Losses caused by uncertain events of insured goods have to be borne by businessmen themselves.
- (iv) Some risks can be taken care of by precautions such as risk of breakdown of machinery.
- (v) Insurance is the means of shifting risks of loss to a party willing and qualified to share the loss.
- (vi) The amount paid by the insured to the insurer is known as premium.

Q2. Fill in the blanks with suitable words given in brackets.

- (i) Insurance is a means of spreading the _____ of a few among many. (loss, expense)
- (ii) The members of the business community feel _____ because of insurance. (secured, unsecured)
- (iii) Insurance companies invest their funds in corporate and Government _____ (loans, securities)
- (iv) Insurance is an aid to _____ as well as commerce. (industry, trade)

Q3. Which of the following statements are true and which are false?

- (i) Marine insurance contracts are ordinary contracts while life insurance is a contract of indemnity.
- (ii) Fire insurance covers the risk of loss by fire where the cause of fire is immaterial for making a claim from the insurance company
- (iii) A ship may be insured against loss by perils of sea.
- (i) For an endowment policy, the insured has to continue paying premium for the whole life.
- (iv) In life insurance, premium may be paid in a lump sum or in annual installments.
- (v) In marine insurance, time policy is often used for hull insurance.
- (vi) Fidelity insurance is not compulsory for owners of business.
- (vii) The principle underlying the contract of indemnity is to ensure that the insured cannot make profit out of insurance.

Q4. Fill in the blanks using appropriate word(s).

- i. The principle of utmost good faith is based on _____ between insurers and insured.
- (i) In life insurance contract the insurer must have insurable interest at the time of _____.
- ii. The purpose behind the principle of _____ is that, the insured is not allowed to make profit from the insurance contract.
- iii. If there are two or more insurers and the insurance claim is paid by one of them, other insurers have to contribute _____ to the insurer who has paid the claim.

Worksheet- Sources of Business Finance

1. List the various needs of the business for which funds are required.

- (a) _____ (d) _____
 (b) _____ (e) _____
 (c) _____ (f) _____

2. Give examples of specific expenditures for which funds will be required for the following terms/time periods.

a. Short-term

- i. _____
 ii. _____

b. Medium-term

- i. _____
 ii. _____

c. Long-term

- i. _____
 ii. _____

3. Complete the following chart that compares equity shares and preference shares:

Basis of difference	Equity shares	Preference Shares
i) Choice	It is compulsory to issue these shares.	
(ii) Payment of dividend		Dividend is paid on these shares in preference to the equity shares.
(iii) Return of capital on winding up of the company.		In case of winding up of the company the capital is refunded in preference over the equity shares.
(iv) Voting Right		

v) Accumulation of Dividend		The unpaid dividends are accumulated and are carried forward to the future years in case of cumulative preference shares
-----------------------------	--	--

4. Some of the features of the different methods of raising long-term capital are given below. Identify the features that relate to equity shares, preference shares and debentures.
- In case of winding up of the company, the capital is refunded after payment of debentures but before payment to equity shareholders.
 - Their holders are creditors of the company for a fixed period.
 - Their holders are the owners of the company and enjoy voting rights.
 - They bear high degree of risk-in case of losses they do not get dividend and in case of winding up of the company, they are the last to get refund of their invested money.
 - Their holders have no say in the management of the company and they do not have the right to attend the company's meetings.
5. Which method of long-term financing, Public Deposit or Retention of Profits, are being referred to, in each of the following statements:
- Management is less careful about funds utilization by this method.
 - To raise funds through this method, an advertisement is generally given through the newspapers.
 - They offers flexibility and the funds can be refunded when not required.
 - They offer benefit to shareholders as company may draw upon its reserves to pay dividend to them.
 - No obligation on the company to pay interest on it or repay the money.

Answer the following questions

1. Very Short Answer Type Questions

- What is meant by lease financing?
- State the meaning of 'Preference shares'.

2. Short Answer Type Questions

- Distinguish between IDR, GDR and ADR.
- 'Finance is considered as the life-line of the business, especially in the modern day'. Give reasons for the same.
- Explain any two ways in which a business enterprise can obtain Bank Credit.
- Give two merits and two limitations of equity shares, from the point of view of the management.
- Explain the four types of preference shares a company can issue.

3. Long Answer Type Questions

- a. What are 'Debentures'? Describe three merits and three limitations of debentures as a source of long-term finance for a company.
- b. Differentiate between 'Shares' and 'Debentures' as sources of long-term finance.
- c. What is meant by Special Financial Institutions (SFIs)? Explain two merits and two demerits of taking loans from SFIs as a source of long-term funds.
- d. Explain the main purposes for which business needs funds.
- e. Write explanatory notes on Retention of Profits; and (b) Public Deposits, as methods of Long-term finance.



Small BusinessCommerce Department
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1. Which Act classifies industries into micro, small and medium enterprises?

a.

2. What is the basis of classification into micro, small and medium enterprises :

b.

3. How are manufacturing industries classified into micro, small and medium enterprises?

a. Enterprises engaged in the manufacture of goods pertaining to any industry according to the investment in the plant and machinery

▪ Micro enterprises:

▪ Small enterprises:

▪ Medium Enterprises:

4. How are manufacturing industries classified into micro, small and medium enterprises?

a. Enterprises engaged in providing services - According to the investment in the equipment

▪ Micro enterprises:

▪ Small enterprises:

▪ Medium Enterprises:

5. What is the role of small business in India?

a. Generation of employment

.....
.....

b. Balanced regional development

.....
.....

c. Optimization of all resources

.....
.....

d. Mobilization of local resources

.....
.....

e. Exchange earnings through exports

.....
.....

- f. Reduction of economic inequalities

.....

.....

- g. Feeder to large industries

.....

.....

- h. Social advantage like promotion of entrepreneurial skills

.....

.....



Worksheet- Internal Trade**Worksheet IX:
Chapter 9: Retail Trade**

Q1. Match the Column A with the statement given in Column B :

Column A

- i. Super Bazar
- ii. Itinerant retailer
- iii. Speciality Store.
- iv. Variety Store .
- v. Single Line Store

Column B

- a. Deals in goods of one brand only.
- b. Sell different varieties of the same product line.
- c. Large variety of goods of general use.
- d. Large-scale retail trade.
- e. Sell articles on carts.

Q2. Fill in the blanks with suitable words:

- i. Sale of goods and commodities in _____ quantities directly to consumers is called retail trade.
- ii. When a shopkeeper sells groceries and other items of needs to customers through his shop, he is engaged in _____ activities.
- iii. When one or more types of goods are sold to customers through big shops it is called _____ retail trade.
- iv. In large-scale retail trade, shops are located at _____ and sell goods to _____ number of customers.
- v. Large scale retail shops may be opened by big _____ to sell their products directly to the customers.

Q3. State whether the following statements relating to Departmental Stores are true or false:

- i. A departmental store is a retail shop where different goods are sold at different counters/ departments in the same building.
- ii. The different departments like electronic goods, garments etc are managed separately for convenience of control.
- iii. There is direct contact between the customers and the owner of the departmental store through various departments.
- iv. Departmental Stores offer additional services to customers apart from the goods available for sale.
- v. These stores are conveniently located in residential areas for the benefit of large number of customers.
- vi. Departmental stores offer goods at high prices to customers due to the high cost involved in maintaining and operating the store as well as providing various facilities for customers.

Q4: I. Indicate whether the following statements about Super Bazar are right or wrong.

- i. Like departmental stores, super bazars also sell a variety of goods in one building only.
- ii. They are organised as cooperative societies where the members provide the capital.
- iii. Goods are sold on credit basis for the convenience of members of the co-operative society.
- iv. Super Bazars cannot afford to hire professional managers leading to inefficiency in their operations.

- v. To provide goods at cheaper rates, super bazars offer inferior quality goods for sale.

II. Identify the type of large scale retail trade the following sentence refers to:

- i. Sale of goods is through different outlets located at different places.
- ii. Goods are generally available at a price higher than its market price elsewhere.
- iii. The stores are mostly controlled by a group of consumers.
- iv. A number of facilities are offered to customers apart from the product for sale.
- v. Goods of the same type are sold to customers.

III. From the following sentences relating to large scale Retail Trade choose the suitable word(s) from those given in brackets:

- i. Goods are generally purchased in bulk from _____ (manufacturers, middlemen) for sale to the consumers.
- ii. Goods are made available to consumers mostly _____(under same roof, in different shops)
- iii. It sells goods to _____(limited, large) number of customers.
- iv. Goods are sold on _____ (credit, cash) basis to customers.
- v. The amount of capital investment required in large-scale retail trade is _____ (mostly equal to, much greater than) the capital investment in local retail shops.

Q5. Fill in the blanks with suitable words relating to Multiple Shops:

- a. Various shops selling similar range of products at _____ price and usually run by big manufacturers are called multiple shops.
- b. For easy identification, all multiple shops of the same manufacturer have similar display and _____.
- c. Since all sales are on cash basis there is no risk of _____.
- d. Due to elimination of _____ goods are available to customers at low prices.
- e. The multiple shops are centrally managed by the _____ leading to lack of initiative on the part of branch managers.
- f. Customers get standard quality and genuine goods through multiple shops leading to public _____ in the products.
- g. Multiple shops provide _____ variety of products for customers through their branches.
- h. These shops provide _____ of location through their presence in main markets and busy shopping centre.

Q6 I: State whether the following statements are True and False,

- a. In mail order business, the seller approaches the customer through catalogues, magazines, television etc. to tell him/her about the product.
- b. Mail Order Business can be successfully operated through telephone and television channels and does not require use of postal services.
- c. Goods like jewellery, fruits and vegetables, food grains generally use mail order business for sale to customers.
- d. Teleshopping saves time and effort as order can be placed over the telephone.
- e. Exchange of goods is easily possible in case of teleshopping.

- f. Risk of fraud and dishonesty is present in Teleshopping as the consumer does not get the opportunity to inspect the goods before purchase.

II. Fill in the blanks with suitable word(s).

- To buy goods any time during the day or night, a convenient mode is _____.
- The desired goods can be bought by inserting _____ in the automatic vending machine.
- Credit cards are used for purchase of products through _____.
- To buy books or magazines from anywhere in the world, _____ may be the preferred system of retailing.
- Advertisement about the product is not required in _____.
- Time and effort of _____ is saved in on-line shopping.
- The limitation of automatic vending machine is that the _____ is very expensive.
- Knowledge of computers is required to buy goods through _____.

III. Multiple Choice Questions

- The type of trade which is totally dependent up on advertisement is called :-
(a) Departmental Store (c) Cooperative Stores
(b) Mail Order Business (d) Multiple Store
- Which business deals in variety of goods under one roof and one management
(a) Departmental Store (c) Cooperative Stores
(b) Mail Order Business (d) None of these
- The place where different types of shops are available within one building is called :-
(a) Multiple Shops (c) Departmental Store
(b) Super Bazar (d) Wholesale Market
- There is no need of salesman in
a. Automatic Vending Machine
b. Internet Shopping
c. Departmental Stores
d. Malls
- Teleshopping is done through
a. Telephone
b. T.V.
c. Personal Visit
d. None of these

1. State any two features of 'internal trade'.

(a) _____ (b) _____

2. Identify the following.

(a) Dealing in limited variety of product. (Wholesale Trade / Retail Trade)

(b) Goods purchased from wholesalers for resale. (Wholesale Trade / Retail Trade)

(c) Providing facilities like grading and packaging. (Wholesale Trade / Retail Trade)

(d) Buying of goods in bulk from the manufacturers. (Wholesale Trade / Retail Trade)

(e) Trading activities carried on near the residential areas. (Wholesale Trade / Retail Trade)

3. The middlemen should be eliminated. Do you agree? Give one reason.

.....
.....

4. Rectify the following sentences if found wrong.

(a) A wholesaler has direct link with the consumers.....
.....
.....

(b) The amount of capital required is less in case of wholesale trade.
.....
.....
.....

(c) Producer is a middleman in the chain of distribution.
.....
.....
.....

(d) Presence of too many middlemen increases the price of the product.
.....
.....
.....

(e) The wholesaler purchases goods from the retailer.

.....

.....

.....

5. What is meant by 'Itinerant Retailing'?

.....

.....

6. Identify the types of retailing business.

(a) Stores dealing with a particular line of good like books, toys etc.....

(b) Stores dealing with a variety of goods of a particular brand.

(c) Stores dealing with a variety of goods of daily use.

(d) Selling goods on the pavement of a city.

(e) Stores selling used books or garments at cheaper price.

7. The decoration, display, sign boards etc. of the multiple shops are built alike. Why? Give reason.

.....

.....

8. Answer the following.

(a) Who owns the departmental stores?

.....

(b) Who owns the multiple shops?

.....

(c) Which stores deal with variety of goods under one roof?

.....

(d) Who manages the day to day affairs of the multiple shops?

.....

9. List five items of daily necessity that is available in super markets.

(a) _____ (b) _____

(c) _____ (d) _____

(e) _____

10. Make necessary correction and rewrite the following sentence:

Consumer cooperative stores are generally located at far off places from the residential area.

.....

11. Name any five products that are suitable for mail order retailing.

(a) _____ (b) _____

(c) _____ (d) _____

(e) _____



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23 A

1. Mention any two reasons behind 'entrepot trade'.

(a) _____

(B) _____

2. How does external trade improves the standard of living of the people.

3. State whether there is Export trade, Import trade or 'Entreport trade' in the following cases pertaining to India.

(a) India purchased petroleum products from a foreign company.

(b) USA sold Engineering products to India. _____

(c) India bought goods from Russia and sold to Sri Lanka. _____

(d) UK bought jewellery/gold items/pearls from India. _____

(e) Germany bought Telecom services from India. _____

1. How can a clearing agent help the importer?

2. State any four difficulties faced by buyers and sellers in External trade.

23 B

Column I	Column II
a. Export Houses	i. Carries goods on payment of freight charge.
b. Indent Houses	ii. Agent ready to bear the loss/damage.
c. Clearing Agents	iii. Organisation involved in Export promotion activities.
d. Shipping Company	iv. Help in receiving orders to goods with instructions.

e. Insurance Company	v. Complete all formalities for clearing goods from destination
----------------------	---

23 C

Define 'Letter of Credit'.

2. Name the document referred to in each of the following cases.

- (a) Agreement signed with the shipping company to enable to put goods on the ship.
- (b) Document issued by the captain of the ship after loading the goods on the ship.
- (c) Assured payment on the strength of a document issued by the importers bank.
- (d) Document which authorises the bank to sell the goods in case of dishonour of bill.
- (e) Document received in exchange of Mate's Receipt at the shipping office.

23 D

1. Mention any three roles played by clearing agent in external trade.

- (a) _____
- (b) _____
- (c) _____

2. Answer the following questions:

- (a) Name the specific department of RBI that controls the foreign exchange transactions.
- (b) In import trade, who sends the letter of credit to whom?
- (c) Who appoints clearing agent?
- (d) To whom is letter of advice forwarded by the clearing agent.

23 E

What is meant by Consular Invoice?

2. Arrange the following document in proper sequence.

- (a) Dock Receipt
- (b) Dock Challan
- (c) Dock Warrant

3. Answer the following in a word or phrase.

- (a) The document prepared by the master of the ship acknowledging the receipt of good.
- (b) The document issued as a proof of the fact that goods have been produced in the country mentioned on it.
- (c) The document forwarded by the exporter to the importer after the shipment of goods.
- (d) The document issued by the dock authority after receiving the goods from the exporters.
- (e) The document needed in sending goods by air.
- (f) Document which acts as a proof that goods of stated value and quantity are being brought into the country from abroad.

23 f

1. State any four Export Promotion measures taken up by the Government of India.

- (a) _____
- (b) _____
- (c) _____
- (d) _____

2. Expand the following terms.

- (a) EPZ _____
- (b) SEZ _____
- (c) EXIM Policy _____
- (d) SAFTA _____
- (e) VAT _____

SOLUTION

23A

A country cannot import goods directly from others because of the following reasons:

- ☐ The exporting country may not have any accessible trade routes connecting the importing country; or
- ☐ The goods imported may require processing or finishing before exporting. And these facilities may be lacking in the exporting or importing countries;
- ☐ There may not be any trade agreement between both the countries.

2. (a) Import

(b) Import

- (c) Entrepot
- (d) Export
- (e) Export

23.B

3. Column I Column II

- (a) (iii)
- (b) (iv)
- (c) (v)
- (d) (i)
- (e) (ii)

23C

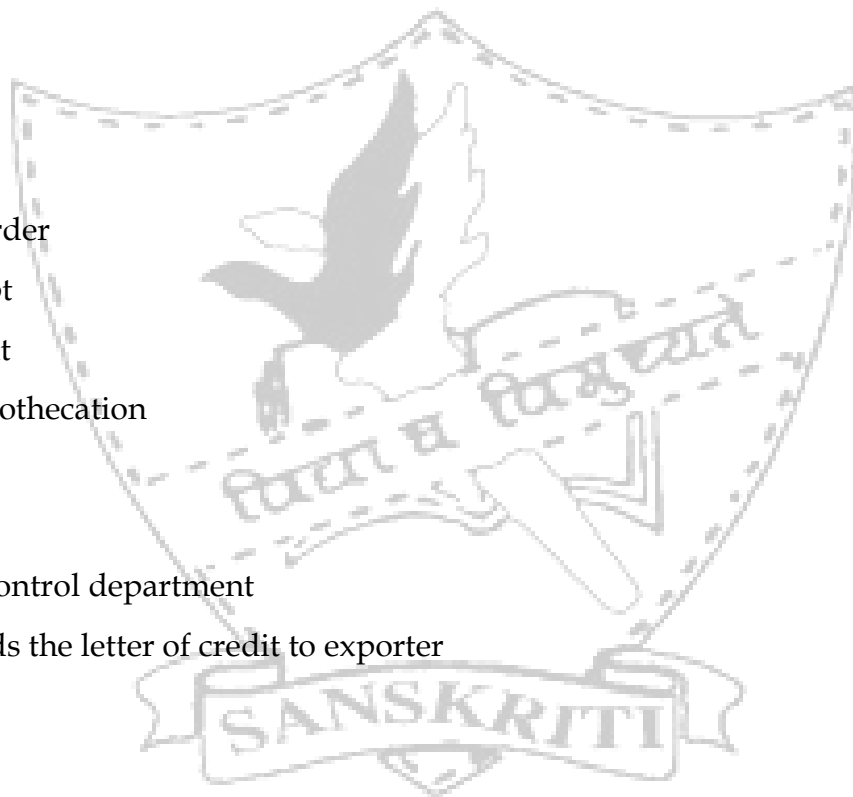
- 1. (a) Shipping order
- (b) Mate's Receipt
- (c) Letter of credit
- (d) Letter of Hypothecation
- (e) Bill of Lading

23D

- 2. (a) Exchange control department
- (b) Importer sends the letter of credit to exporter
- (c) Importer
- (d) Importer

23E

- 2. (a) Dock challan
- (b) Dock warrant
- (c) Dock Receipt
- 3. (a) Bill of Lading
- (b) Certificate of origin
- (c) Export Invoice/Foreign Invoice
- (d) Dock Receipt
- (e) Airway Bill



(f) Bill of Entry

23F

1. (a) Export Processing Zones

(b) Special Economic Zones

(c) Import Export Policy

(d) South Asian Free Trade Agreement

(f) Value Added Tax

SOLUTIONS:

2. WT : (a), (c), (d) RT : (b), (e)

4.

(a) A retailer has direct link with the consumers. (b) The amount of capital is less in case of retail trade. (c) Wholesaler is a middleman in the chain of distribution. (d) No change
(e) The retailer purchases good from the wholesaler.

6.. (a) Single line store (b) Specialty store (c) General store or variety store (d) Itinerant retailing

(e) Secondhand goods shop

7.. (a) Same ownership (b) Easy to recognize

8. (a) Big businessman (Individual or group) (b) Big manufacturers or producers

(c) Departmental store (d) Branch manager or anybody appointed by the owner.

9. (a) Food items (b) Vegetables (c) Fruits (d) Groceries (e) Utensils

10. (a) Consumer Cooperative Stores are generally located near the residential areas.

11. (a) Medicine (b) Books (c) Toys (d) Cosmetics (e) Plant seeds

Solutions to Worksheets:**Worksheet I:****Chapter 1 – Nature and Purpose of Business**

- A.
- I. (i) T, (ii) F, (iii) T, (iv) T, (v) F
- II. (i) Non-economic, (ii) Economic, (iii) Non-economic, (iv) Non-economic (v) Economic, (vi) Non-economic, (vii) Economic
- B.
- I. (i) Occupation, (ii) Specialized knowledge, (iii) Employment, (iv) Code of conduct, (v) Employer
- II. (i) b, (ii) d, (iii) a, (iv) c
- C.
- I. (i) Agree, (ii) Disagree, (iii) Disagree, (iv) Agree, (v) Agree, (vi) Disagree, (vii) Disagree
- II. (i) W, (ii) W, (iii) R, (iv) W, (v) R, (vi) R
- D. (i) False, (ii) True, (iii) False, (iv) False, (v) False
- E. (i) Wrong, (ii) Right, (iii) Wrong, (iv) Wrong, (v) Wrong
- F. (i) True, (ii) True, (iii) False, (iv) False, (v) False
- G. (i) Social, (ii) Export, (iii) Regularly, (iv) Employees.
- H.
- I. (i) Production, (ii) Distribution, (iii) Wholesaler, (iv) Transport
- II. (i) Dalmia Oil Mills, (ii) Ruchi Oil Depot, (iii) Balaji Groceries, (iv) Mrs. Priti
- I (i) d, (ii) a, (iii) a

Worksheet II**Chapter 2 – Forms of Business Organization –Sole Proprietorship and Partnership**

Part .1 (i) Capital, (ii) Proprietor/ owner, (iii) Management, (iv) Manual, (v) Small, ocal

Part 2 (i) not necessary, (ii) flexible, (iii) shared, (iv) group, (v) 2008

Part 3

I. (i) Hindu Undivided Family, (ii) Three, (iii) Coparcener, (iv) Karta (v) Karta

II. (i) b, (ii) c, (iii) a, (iv) d, (v) c

Worksheet III:**Chapter 2 – Forms of Business Organization –Sole Proprietorship and Partnership**

Part .1 (i) Voluntary, Economic (ii) Services (iii) Legal entity (iv) mutual help (v) middlemen (vi) Consumer

Part.2 (i) true (ii) true (iii) true (iv) false (v) true (vi) true (vii) true (viii) true

Part.3 (i) true, (ii) true (iii) false (iv) false

Part.4 (i) two (ii) private (iii) Government (iv) one lakh

Part .5 (i) face value of shares held by them (ii) Board of directors (iii) high (iv) Indian multinational companies (v) members.

Part .6

I. (i) False, (ii) True, (iii) True, (iv) True, (v) False

II. (i) c, (ii) d, (iii) a, (iv) a, (v) c

Worksheet V:
Chapter 3 - Private, Public and Global Enterprises

1. It refers to economic and social activities undertaken by public authorities.
2. (a) False – The objective of public sector enterprises is welfare of the customer.
(b) False – The public sector enterprises are managed by the Government.
(c) False – The public sector enterprises concentrate on area of public utility service.
(d) True
(e) False – The public enterprises are financed from government funds and sometimes through public issues.
3. (a) Railways (b) Postal Services (c) Broadcasting
4. (a) Departmental undertaking
(d) Statutory corporation
(c) Government company
(d) Government company
5. Merits – (a), (c), (e) Limitations – (b), (d)
6. (a) It is incorporated under a special Act of Parliament or State Legislature.
(b) It is managed by a Board of Directors which is composed of individuals who are trained and experienced.
7. (a) No change
(b) Statutory corporations are incorporated under special Act of Parliament or state assemblies.
(c) Statutory corporation are not motivated by profit.
(d) The internal management of the statutory corporation is free from government control.
(e) The capital of statutory corporation is provided by the government.
8. (b) Operational efficiency
(c) Competition to private sector
9. 2. Merits – (a), (b), (e) Limitations – (c), (d)

10. a) Public welfare
 (b) Planned economic development of the country
 (c) Regional balance
 (d) Import substitution
 (e) Checking concentration of economic power
11. (i) BHEL – Bharat Heavy Electricals Limited
 (ii) BPCL – Bharat Petroleum Corporation Limited
 (iii) GAIL – Gas Authority of India Limited
 (iv) HPCL – Hindustan Petroleum Corporation Limited
 (v) IOC – Indian Oil Corporation
 (vi) MTNL – Mahanagar Telephone Nigam Limited
 (vii) NTPC – National Thermal Power Corporation
 (viii) ONGC – Oil and Natural Gas Corporation Ltd.
 (viii) SAIL – Steel Authority of India Limited

(b) Navaratna-I n July 1997, Government identified nine central public sector enterprises as 'Navaratnas'. These public sector enterprises have been given autonomy for capital investment, to enter into joint ventures, to raise capital from domestic and international market etc. In October 1997, the Government granted enhanced autonomy and delegation of financial power to some other profit making public sector enterprises and categorised them as 'Miniratnas'. Presently there are 45 Miniratna Public Sector Enterprises functioning in India.

Worksheet VII:

Chapter 4: Business Services – Banking & Postal & Courier Services

Answers: Banking

- I. (i) lends, (ii) intermediary / middleman, (iii) trade, (iv) cheque, (v) moneylender
 II. (i) Private Sector Bank, (ii) EXIM Bank, (iii) Co-operative Bank (iv) Central Bank, (v) Public Sector Bank
 III. (i) T, (ii) F, (iii) T, (iv) F, (v) T, (vi) T, (vii) F, (viii) T
 IV. (i) nominal, (ii) higher, (iii) current account, (iv) cheque, (v) same
 V. (i) T, (ii) T, (iii) F, (iv) F, (v) T, (vi) T, (vii) T, (viii) T
 VI. (i) depositor, (ii) foil, (iii) foil, (iv) specimen signature (v) withdrawal, (vi) bank
 VII. (i) (d), (ii) (a), (iii) (e), (iv) (b), (v) (c)
 VIII. (i) c (ii) b (iii) c; (iv) b (v) c

Answers: Postal and Courier Services

- I. (i) Rs. 70, 000/-, (ii) Rs. 5, 000/-, (iii) Cross, (iv) Three, (v) Six
 II. (i) False, (ii) True, (iii) False, (iv) False, (v) True
 III. (i) True, (ii) False, (iii) False, (iv) True, (v) False.
 IV. (i) d, (ii) c, (iii) c, (iv) b, (v) c

Worksheet VIII:

Chapter 4: Business Services – Insurance

Solutions:

Q1. i. True, ii. False, iii. False, iv. True, v. True, vi. True

Q2. i. Loss, ii. Secured, iii. Securities, iv. Industry

Q.3 i. False, ii. True, iii. True, iv. False, v. True, vi. True, vii. True, viii. True

Q 4 i. Mutual trust and confidence, ii. Contract, iii. Indemnity, iv. Proportionately

Worksheet IX:
Chapter 9: Retail Trade

- 1) (i) c, (ii) e, (iii) a, (iv) b, (v) d
- 2) (i) Small, (ii) retailing, (iii) large-scale, (iv) central places, large, (v) manufacturers
- 3) (i) True, (ii) False, (iii) False, (iv) True, (v) False, (vi) True
- 4)
 - I. (i) True, (ii) True, (iii) False, (iv) True, (v) False
 - II. (i) Multiple Shops, (ii) Departmental Store, (iii) Super Bazar, (iv) Departmental Store, (v) Multiple Shops
 - III. (i) manufacturers, (ii) under same roof, (iii) large, (iv) cash, (v) much greater than
- 5) (i) Same, (ii) decoration, (iii) bad debts, (iv) middlemen, (v) head office, (vi) confidence, (vii) limited, (viii) convenience
- 6)
 - I. (i) True, (ii) False, (iii) False, (iv) True, (v) False, (vi) True
 - II. (i) Automatic vending machine, (ii) Coins/tokens, (iii) Internet shopping/on line shopping, (iv) internet shopping/on line shopping, (v) Automatic Vending Machine, (vi) Customers, (vii). machine, (viii) Internet shopping / on line shopping
 - III. (i) b, (ii) a, (iii) b, (iv) b, (v) a

Basis	Life Insurance	Fire Insurance	Marine Insurance
1. Subject matter	Human life	Physical asset/property	Ship/cargo/freight
2. Element	Protection & investment	Protection	
3. Insurable interest to be present			
4. Duration	Long term – 5 to 30 years or whole life		1 year/period of voyage
5. Loss measurement	Not measurable in terms of money		

6. Indemnity	Not a contract of indemnity		
7. Surrender value	Has a surrender/paid-up value that the insured can recover if the policy is surrendered before its maturity.	Insured cannot surrender the policy.	
Basis	Life Insurance	Fire Insurance	Marine Insurance
8. Policy amount	Any amount	Cannot exceed Value of subject matter	Cannot exceed Market value of ship/cargo
9. Contingency of risk	Element of certainty - event is bound to happen.		
10. Medical examination	Necessary		
11. Payment of premium	May be paid in lump-sum or in installments.	Only lump sum payment of premium	Only lump sum payment of premium
12. Subrogation and causa proxima	Not applicable		