

SECTION-A: MCQS**[10]**

- (1) (c) Employment
- (2) (a) Double
- (3) (a) Enterprise WAN
- (4) (d) democracy
- (5) (b) Individual ownership
- (6) (c) Financially sound company
- (7) (d) International Trade
- (8) (d) Indent
- (9) (c) Seven
- (10) (b) Consumer

SECTION-B: ANSWER IN ONE SENTENCE**[10]**

- (11) What is an economic activity?
An economic activity carried out with aim to achieve profit is called economic activity.
- (12) What is life insurance?
When a person who is insured dies, the insurance company undertakes to pay a pre-decided sum as a compensation to the legal heir of the deceased according to the contract or an agreement, it is known as life insurance.
- (13) What is communication?
Communication means a process of exchange of information among people regarding knowledge, concept, understanding, emotions, feelings and opinions.
- (14) Define public enterprises.
Any enterprise, which is owned, managed and controlled by government is called public sector enterprise
- (15) Acronym IDBI stands for?
ANS Industrial Development Bank of India
- (16) Which types of goods and services are useful of telemarketing?
This method is useful for loan, financing, insurance services, credits card etc. products or services are available at fair prices and the customer's time is saved due to the absence of middlemen.
- (17) What is International trade?
Trade between two country is called international trade
- (18) What is import?
Good which are bought from outside the border of country is called import
- (19) What is a reasonable price?
Any business unit providing services or products have kept their price reasonable which gives a customer proper satisfaction and proper return to the producer.
- (20) Give the meaning of ethics.
 - Set of accepted principles and standards for behavior and character is business ethics.

SECTION-C: SHORT ANSWER TYPE QUESTION**[16]**

(21) Briefly Explain Outsourcing.
 When miscellaneous work or process is handed over to other group by business group as per contract for prescribed time, it is called outsourcing. Outsourcing is necessary to concentrate on main activities of a company. Thus, companies outsource minor activities. Besides this, some business units make outsourcing of intellectual works even though it is their core activity. Outsourcing can be done within the company or outside the company.

(22) Explain the requirement of Business Process Outsourcing (BPO).

Requirement of BPO:

BPO reduce the workload of employees of a company from the responsibility of their daily minor works. So these employees can focus more to the productive activities and customers.

(1) **Cost cutting:**

Business Units can reduce expenditure by outsourcing of front office works like billing, purchasing, data entry and marketing survey.

(2) **Focus on Principal Works of Company:**

Managers can specially focus to the principal works of company by outsourcing of daily works of professional units.

(3) **Benefit of Efficiency:**

Business concerns can get quality work by outsourcing instead of recruiting and training employees.

(4) **To Cater the Dynamic Demand:**

BPO companies provide facilities to cater the ever changing demands of the customers.

(5) **Increase in Profit:**

Business units can outsource their subsidiary functions and pay more attention toward main functions like increase in sale, development of new products, expansion of business and satisfy the customer. As a result, profit of the business unit increase

(23) How do ownership and management differ in company form?

- As the company is an artificial person, the board of directors manage the company subject to the Memorandum of association and Articles of Association.
- The shareholders elect their representatives among themselves who is called Director.
- As a group, directors are known as a board of Directors, who manage the company. Thus ownership and management are separate.

(24) "the only objective of private enterprise is to earn profit" – Discuss

The main objective of private sector is to earn profit. In the current days private sector has accepted social responsibility along with profit. This sector has adopted the concept of women empowerment , conservation of environment , literacy etc.

(25) Bad debt is not possible in mail order shops. Why?

As the payment is received in either advance or on delivery of goods hence bad debt is not possible in mail order shop

(26) What is Mate receipt? Explain

Mate Receipt:

- The goods is boarded on the ship on the basis of carting order. The representative of the captain of the ship is known as 'Mate'.
- Mate checks whether the goods are as per the shipping bill or not.
- When the goods are loaded on the ship, a receipt is issued by either the captain of the ship or by his representative certifying the acceptance of goods is called 'Mate Receipt'.
- The captain of the ship checks the packing of the goods. if the captain finds the packing improper and the goods is not suitable for transportation, it is remarked in the receipt, such remarked receipt is known as 'Foul Receipt' if all the matters are proper, then a Clean Receipt is issued.

If the mate's receipt is foul, it means that the goods which have been loaded on the ship are not properly packed as specified in the order and if the goods are damaged during the transportation, the shipping company is not responsible for that

(27) Why the certificate of origin is required in foreign trade?

- ✓ The importer has to pay import duty on the imported goods. the goods are not allowed to bring outside the port until the import duty is paid or exemption of duty certificate is produced.
- ✓ On the basis of consular invoice and the certificate of origin of the goods, if less excise duty is to be paid a bill of entry form has to be prepared.
- ✓ In this form complete information's of the name of the ship, name of the exporter and address, name and address of the importer and total details of the goods are mentioned.
- ✓ Excise is determined on the basis of the details of this form.

When the decided duty is paid, the excise officer makes an endorsement on the bill of entry and hand over it to the importer

(28) 'Protecting the interest of consumer increase reputation of a unit' – Explain.

After selling product or providing service it is the duty of the unit establish service stations. If the product is not preferred, it can be returned to the seller. This is the development and establishment of business. Different parts of society and institutions have given the contributions in the form of accountability. The responsibility which arise towards the society is known as social responsibility.

SECTION-D: BRIEF QUESTION ANSWER

[24]

(29) Explain the principle of good faith.

Principle of Utmost Good Faith:

- The main objective of an insurance contract cannot be or making profit.
- It is only to have compensation for financial loss.
- The basic law of insurance is a social concept.

- As such the parties involved in the insurance contract should have mutual and complete faith.
- While entering into a contract both the parties should provide all informations required regarding the insurance product.
- While taking an insurance policy, even if the information is not asked by either parties, both should provide it; if it is felt that it can have an impact on the contract.
- Any insurance agreement entered not having the necessary information amounts to fraud and it is against the principle of utmost good faith.

Whenever it comes to be known that the principle of utmost good faith is broken, the insurance agreement or policy stands null and void and the insure cannot get back the premium already paid and he loses the right of compensation for the risk.

(30) "Insurance does not remove risk, but it compensates for the loss resulting from the risk" Justify this statement.

Insurance is taken to get economic protection against natural and man made risk. Insurance doesn't remove risks. Insurance company also can not make any arrangement to remove risk but pays financial compensation against loss due to risk. Company pays within the limit of the amount of insurance. Natural risks such as earthquake, tsunami; cyclone, flood and man-made risks such as fire, accident, theft, robbery, malpractice by employees etc. are the risky elements , insurance company can not remove. But pays compensation to the insuree for the economic loss suffered from such risks.

(31) Write a note on "Core Banking."

Meaning of Core Banking:

- 'CORE' in core Banking means, 'Centralized Online Real time Exchange'.
- In this system all the branches of the same bank located in the different parts of the world are connected to one another.
- In the centralized server of the bank, all the details of all the accounts of all the branches of the banks are available.
- Entry of the transaction of an account holder of a bank is recorded in the centralized server of the bank in real time.

The change in entry occurring in this centralized server can be seen in all the branches of the bank. The account holder of any branch can complete his transction from any other branch of this bank. He can withdraw or deposit money or can do any transction in his account from any other branch. Thus, the account holder becomes the customer of the bank and not of the particular branch. This process can be done in different branches of the same bank. Because of this arrangement, time and expense of both the bank and the customers are decreased.

(32) 'Sole proprietorship is a training school of business' Explain.

Any person who wants to perform business activity ,he must have an experience and liability. Initially with limited investment he should start

proprietary firm managed by oneself. This business has less risk. He gains experience of business. He himself has to take decisions. He can develop his decision making ability along with leadership quality because he has to guide his employees to take work from them. All this training leads him to be a competent industrialist in future.

(33) What is departmental management? State its features.

Government Department:

- Government always handles its various functions through different departments. Any public sector unit is managed by government authority and all workers are treated as government employees.
- Government departments are either managed by central or state government and hence the rules and regulations of central or state government are applicable.
- For example, postal department, railways etc.

Characteristics:

1) Financial Allocation:

- Government departments get financial allocation through the government budget. Their incomes are deposited in government treasury.

2) Maintenance of accounts:

- The maintenance of accounts of government department is done by the respective department and its audit is done by (CAG) i.e. the comptroller and auditor general.

3) Appointment of Employees:

- The employees of the government departments are considered as government employees and hence their appointment and service conditions are the same as any other government employee.

4) Government management and Control:

- The management of government department and their control is directly through the minister concerned and through civil service officers.

5) Responsibility:

- All responsibilities lie with the departmental minister and they are directly accountable to the parliament or legislative assembly.

(34) Distinguish between equity share capital and preference share capital.

Sr. No.	Basis of difference	Owner's fund	Borrowed fund
1.	Meaning	Fund invested by shareholders is called owner's fund.	Funds borrowed from other sources and invested in business is called borrowed fund.
2.	Source	Can be received from equity shares, ploughing back of profit, depreciation fund and reserves.	Can be received from debenture commercial banks and financial institutions.
3.	Return	Return is in form of dividend	Return is in form of interest

		of owner's fund.	at fixed rate.
4.	Rate of return	Rate of return is uncertain or not fixed.	Rate of return is fixed.
5.	Repayment of capital	Owner's fund is repaid at last.	Repayment of borrowed fund is made earlier than owner's fund.

(35) Write a note on Trade Credit

Trade Credit:

- Business units have needs of raw material, finished goods or other tools and thing.
- In this situation a business unit purchases from other producers or traders on credit for some time period and create working capital.
- Thus the creditors do not provide capital directly. But by giving goods or services on credit they satisfy the capital requirement.

(36) Write a note on 'Automatic Vending machine'

(A) Automatic Vending Machine:

- ✓ This is one kind of automatic machine for selling products. By which retail sale is made.
- ✓ Products are arranged in advance in this machine.
- ✓ Customer has to drop the currency/coins in the machine to purchase product like newspapers, cold drink, ice – cream, coffee etc.
- ✓ How many coins are to be inserted in the machine is indicated on the machine. The required product comes out from the machine as the coin is inserted in to machine.
- ✓ These types of machines render services for twenty four hours (24 * 7) continuously. The expense on the salary, training etc. of the salesmen decrease because of the automatic vending machine.
- ✓ At present these types of machines are seen at public places like shopping mall, airport, and railway station.
- ✓ This type of machine was invented by Greek engineer and mathematician Alexandria Hero.

SECTION-E: DETAILED QUESTION ANSWER

[20]

(37) Explain the characteristics of business.

Characteristics

Objective of Profit :

- The fundamental objective of business is to obtain profit through economic activity.
- In absence of profit there is no possibility of business. Profit is essential to continue the business.
- The Goods are sold at a price higher than the cost price, it is called profit. The efficiency of business is even measured with the measurement of profit.

Profit is the barometer of business.

(1) Exchange of Goods and Services :

- Exchange of goods and services take place when goods and services are sold either by manufacturing or by purchasing. Business involves exchange of goods and services.
- Goods in physical form and services in invisible or intangible form are exchange e.g. a Company manufacturing electric equipment exchange physical goods, while a company providing electric service exchange service.

(2) Risk and Uncertainty:

- Business involves risk and element of uncertainties of returns.
- It involves man made risks such as fire, accident, strike of employees, riot, robbery, theft, change in preferences, decrease in demand, change in life style of public, taste, habit, competition, change in technology etc. while natural risks like tsunami, earth-quack, strom are also involved.
- All these risks adversely affect the income of the business. The returns from business become uncertain due to various risks.
- Sometimes there is loss in business due the risks, even though the motive of business is profit.

(3) Creation of Utility :

- To provide satisfaction to the consumer with the use of goods and service is called creation of Utility.
- Creation of utility takes place in three ways : form, place and time. When raw material is converted in to consumable finished goods, creation of form utility takes place.
- When goods are carried over from the place of production to place of consumption, creation of place-utility takes place.
- Goods are stored when they are not needed and supplied at the time, when they are needed, creation of time utility takes place.

(4) Continuance of Activity:

- Transactions are carried out regularly and continuously in business. Business is an ongoing monetary activity.
- A businessman dose the activity of purchase and sale continuously with the objective of profit.
- If a trader or producer constructs a building for his residence and later on sells it and earns profit it is not a business, because the activity of purchase and sale of buiding is not a regular or continuous activity for him.

(5) Requirement of Money:

- Money is required from the beginning to the end of a business.
- Money is required to manufacture finished goods from the raw material in the factory and also by a trader to purchase goods.

(6) Economic Activity:

- Business is a part of economic activity under taken with the motive of making profit through earnings.

(38) Explain the function of Bank.

Main Functions of Bank:

1) To Accept/Collect Deposit:

- Bank accepts some surplus amount as deposit.
- The bank pays interest to the deposit holder.
- The biggest responsibility of bank is to maintain trust of the deposit holder or the customer who invests money in the bank.
- Bank accepts various types of deposits as per different rates of interest. Bank mainly accepts four types of Deposit:
(i) Savings Account (ii) Current Account
(iii) Recurring Account (iv) Fixed Term Account

(1) TO Lend Money:

- Bank accept deposits through different accounts.
- Thus the bank lends money to the borrowers which it has collected as the deposits from different accounts.
- Bank accepts deposits and provides interest to the deposit holders.
- The bank lends money to the needy people at a higher rate of interest than it pays to deposit holders.
- The bank gains profit from the difference in rate of interest.
- The bank lends money as given below:

(i) Though a Loan:

- The bank provides loan for either a long term or a short term.
- In some kind of loans hypothecation is necessary while in some kind of loans hypothecation is not necessary.
- Such loans are provided to either businessman or an individual or industrialists, against which the bank demands for guarantee.
- In the present time home loan, car loan, education loan, cash-credit, machinery loan, gold loan, personal loan etc. are available.

(ii) By Overdraft and Cash Credit:

- If a current account holder withdraws more amount than the balance of that account for a pre-determined limit and short duration of time, it is called Overdraft.
- The duration of overdraft is short. But when the duration is pre-determined then it is known as cash credit.

(2) To invest:

- The bank current get benefit if it is not able to invest and lend the amount of the capital and deposit of the bank.
- An important work of bank is to invest this amount at some secure place and with proper calculation.

- The bank has to invest some percentage of total deposits in the government securities according to the rules of RBI, on which the rate of interest is low.
- It is inevitable for a bank to get instant cash by withdrawing investment during emergency or some accidental situation.
- A bank majorly invests in government securities or in other financially capable units.

(3) To Do Inter-Banking Transaction:

- One of the main functions of the bank is inter-banking.
- Every bank sometimes faces shortage of money for a very short duration of time, even less than 24 hours.
- At this time unused money in a bank is provided to the needy bank. This arrangement is made by an agency appointed by the central bank (RBI).
- In this way the process of lending or borrowing money is completed through the central bank.
- The lender or the borrower does not come into direct contact with each other.
- The problem of the bank for that particular time is solved.
- Thus, when the bank gets the demanded amount instantly, it is called 'CALL MONEY'.
- The interest has to be paid on the received amount. This rate of interest is determined on the basis of demand and supply and is called as 'CALL MONEY RATE'.

(A) Subsidiary Functions of Bank:

(1) To Look After the Financial Transactions of the Customer:

A bank has mainly two types customers:

(A) Depositor and (B) Borrowers.

- Such customers do their financial transactions through bank. When a customer writes a cheque in favour of other person, then the money is paid to that person by bank on behalf of the person who has written the cheque.
- In the same way, when a person receives a cheque from the other person, the bank collects money from the person who has written the cheque on behalf of the person who has received the cheque.
- In present time, a bank performs different tasks on behalf of the customer such as payment of the electricity bills and phone bills, insurance premium and to transfer money from one account to another account etc.

(2) To Do Transactions Associated with Foreign Exchange:

- Now a days, import-export business is done compulsorily through bank.
- Foreign exchange is required for import-export business.
- The bank which has obtained permission from the central bank performs the related to foreign exchange and provides services and receives the documents related to foreign trade.

(3) To Issue Letter of Credit:

- Letter of credit is a letter written by one bank addressed to the other bank.
- The bank ensures the payment of certain amount and at certain time by the person mentioned in this letter.
- The bank collects certain deposit from the respected person before issuing the letter of credit or the bank gets guarantee of the same amount.
- The amount mentioned in the letter of credit is paid at fixed time to the person whom the bank has ensured for the same.
- Thus, letter of credit makes the accounting transactions trustworthy. The bank earns income in the form of commission by offering this service.

(4) To Issue Traveller's Cheque:

- In present time, more and more people have started travelling. People have started getting traveller's cheque in order to prevent themselves in losing their cash or getting it stolen during their travel within country or abroad.
- The holder of traveller's cheque can withdraw money through the cheque from another outstation bank or from a foreign bank branch by signing as per his specimen signature.
- This cheque is very reliable and transferable.
- The use of traveller's cheque has decreased as the facility of ATM has become wide spread.

(5) Service of Demand Draft:

- Demand draft is a cheque written by a bank in favour of a branch of the same bank.
- The name of the person is mentioned in the demand draft and an order is issued to pay the amount to the person whose name is written on the draft.
- Draft is a secured medium while sending money to a person or firm.
- The person or the firm, desirable to send money, fills in a certain form and requests the bank to issue the draft.
- On the basis of this request, the bank writes the name of the receiver of the money on the draft and orders its branch or its associate bank to pay the amount.
- The sender pays the bank not only the amount mentioned in the draft but also the commission for the same.
- If the bank issues such draft which can be encashed in its own city, then it is called '**PAY ORDER**'.

(6) To Provide Information Related to Credit of a Person Associated with the Bank:

- The bank does frequent financial transactions on the basis of which, the bank is well aware of the financial capabilities of its customers.

- Any firm or institute considers the information provided by a bank more reliable in such dealing where credit transaction is required and the firm or the institute wants to check reliability of other firm or institute.
- The bank issues 'Solvency Certificate' for the same.

(7) To provide service as underwriter:

- When a company comes to the market for collection of capital it will get the amount for the issue or not? The company finds difficult to run the business if it does not get the minimum amount.
- At this time the bank ensures full or minimum amount of subscription.
- In case of receiving less application amount as compared to underwriting by bank that amount will be subscribed by bank by way of buying securities.

(8) To provide other related services such as ATM, DEMAT, Safe Deposit Vault:

- The bank also provides its customers the facilities like ATM, DEMAT and Safe Deposit Vault.

In addition to this, it also provides facilities of credit card and debit card to the customers.

(39) Explain the limitation of partnership firm.

(1) Limited Capital:

Considering the development and big size of modern industries and trade, the capability to raise large capital by partners is limited. There is a less scope for partnership firm to engage in large scale business activity and due to limited capital, the activities like research cannot be undertaken.

(2) Unlimited Liability:

In partnership firm the liability of each partner is unlimited. All partners are responsible for the work done for the firm by any other partners. If assets of the firm are insufficient to pay the debt then in that situation all partners have to pay debt even by selling their personal properties.

(3) Possibility of Disagreement:

There is a possibility of difference of opinion and disagreement in partnership. In partnership, management of the firm runs properly till there is unity and agreement. When disunity and dispute arise, there is a possibility of disagreement in partnership.

(4) Difficulty in Maintaining Secrets:

In partnership important business decision cannot be taken without proper discussion and thinking process. Due to discussions among partners the maintenance of business secrets are difficult.

(5) Difficulty in Share Transfer:

In partnership firm, a partner cannot transfer his share to other person easily. Share transfer to another person require the consent of all partners.

(6) Delay in Decision Making:

According to the law, each partner can take part management of the firm. Due to internal disputes and disagreement among partners decision taking

process is delayed. As a result the management becomes weak. Due to internal disputes many partnership firms may dissolve.

(7) Short Life Span:

For the reason of death, insolvency or loss of mental balance of any partner the partnership comes to an end.

(40) Differentiate between Co – operative society and company.

Sr. No.	Points of Difference	Co – operative Society	Company
(1)	Meaning	It is voluntary association of persons on the basis of equality to improve their economic condition.	It is a voluntary association of persons to earn profit through legal business.
(2)	Motive	Maintain motive is service, economic development and upliftment of member. The motive of profit is subsidiary.	Main motive is profit.
(3)	Number of members	Minimum 10 members and no provision for maximum number of members.	Minimum 7 members and maximum as many as in public company. Minimum 2 and maximum number of members upto 200 in private company.
(4)	Process of establishment	Process of establishment is easier than company.	Process of establishment is lengthy and complicated comparatively.
(5)	Management	Management is run in a democratic way. A single vote per member.	Democratic management is only in principle. The concept of democracy becomes illusive due to vote per share.

(6)	Issue of share	Can issue share carrying equal rights and of the same type.	Can issue preference share in addition to equity share.
(7)	Transfer of shares and end of membership	No transfer of shares. Members can bring the end of membership by redemption of shares to society.	Share can be transferred.
(8)	Effect on share capital	Reduction in capital fund as the members can redeem the share to society.	No alteration in capital fund by the purchase and sale of shares by the members.
(9)	Use of profit	The profit is used to give dividend to members and for the benefit of members subject to the provisions of law.	Some part of profit is distributed as dividend to members.