

First Year Higher Secondary Secondary Model Examination, February 2020

Subject-Business Studies Code-FME-48-Unofficial

Q.No	Sub Q.No	Answer key/Value Points	Score	Total
<b>Answer all the questions from 1 to 9. Each carries 1 Score (9 X 1 =9)</b>				
1.		(c) Entrepot Trade	1	9
2.		(a) Perpetual Succession	1	
3.		(c) Life	1	
4		(d) Credit or debit Card (as per NCERT Text ).Cash on delivery is also very popular mode of payment	1	
5.		(c) Air	1	
6.		(a) Memorandum of Association	1	
7.		(b) National Small Industries Corporation (NSIC) (As per NCERT Text) All institutions do their part.	1	
8.		(b) Specialty shops (All others are Itinerant Traders)	1	
9.		Mate Receipt	1	
<b>Answer any 6 questions from 10-16. Each carries 2 scores (6X 2 = 12)</b>				
10		(a) Government Company (b) Statutory Corporation or Public Corporation	2	12
11		<b>Any two:</b> Convenience E-business offers the advantage of accessing anything, anywhere, anytime. Reduced cost of purchase In e-business a customer can order his goods from his house itself with the help of internet. This will save his time, money and energy. Provide global market for buyers E – Business provides global market for buyers. Buyers can select his needed goods from anywhere in the world with the help of internet. Speed Through e-business information can be exchanged, buying and selling etc can be done just with the click of a mouse.	2	
12.		<b>Any Two:</b> Responsibilities of business towards its workers are: To pay fair wages and salaries regularly. To provide good working conditions. To provide welfare schemes such as housing, medical care, reservation etc. To protect trade union rights including the right of participation in management. To guarantee freedom of religion and political views. To give timely training to its employees.	2	

13	<p><b>Any Two:</b>  <b>Advantages of retained earnings</b>  1.It is the most convenient source of finance. It requires no advertisement, no issue of prospectus or no legal formalities.  2. Retained profits create no charge on the assets of the company. Further loans can be raised on the security of assets.  3. Management can retain its control when it uses retained profits.  4. Retained profits increases the financial strength and earning capacity of the business. The company enjoys more borrowing capacity also.  5. As an internal source, it is more dependable than external source.  There is no fixed obligation to pay dividend on the profits reinvested.</p>	2	
14	<p>(a) Second hand Goods shop  (b) Hawkers</p>	2	
15	<p><b><u>Contract manufacturing</u></b>  Contract manufacturing refers to a type of international business where the firm enters into a contract with one or a few local manufacturers in foreign countries to get certain components or goods produced as per its specifications. Contract manufacturing can be any of the following three forms:</p> <ul style="list-style-type: none"> <li>➤ Production of certain components.</li> <li>➤ Assembly of components into final products.</li> <li>➤ Complete manufacture of the products.</li> </ul> <p>Goods are produced or assembled by the local manufacturers as per the technology and management guidance provided to them by the foreign company.</p>	2	
16	<p><b>Exporting and Importing-Advantages</b>  1. In this mode the exporting firm is not required to invest that much money and time as is needed when they desire to enter into joint ventures or set up manufacturing plants and facilities in host countries.  2. Since exporting/importing does not require investment in foreign countries, it is less risky as compared to other modes of entry into international business.</p>	2	
<b>Answer any 4 questions from 17-21.Each carries 3 score (4X 3=12)</b>			
17	<p><b>Any Three</b>  <b><u>Causes Business Risks</u></b>  <b>1. Natural causes</b>  Natural calamities are unpredictable and are beyond the control of a businessman. Flood, earthquake, heavy rains, lightning famine, storm etc. are examples of natural risk.  <b>2. Economic Causes</b>  Economic causes include uncertainties relating to demand for goods, competition, price, collection of dues from customers, change of technology, etc. Financial problems like rise in interest rate for borrowings, high tax rates etc also come under economic causes as they result in higher unexpected cost of operation of business. These</p>	1 1 1	<b>12</b>

	<p>are also beyond the control of a businessman.</p> <p><b>3. Human Causes</b> Human causes include unexpected events like dishonesty, carelessness, or negligence of employees, strikes, riots, stoppage of work due to power failure, management inefficiency etc.</p> <p><b>4. Government policy</b> Change in Government policy, changes in import export policy, licensing policy, tax structure etc. may cause heavy losses to a business man.</p> <p><b>5. Physical Cusses</b> Physical Cusses include loss due to mechanical defects, accidents from defective machinery etc.</p>		
18	<p><b>Any Three</b> <b><u>Advantages or Merits of Departmental undertakings</u></b></p> <p>1. <b>Easy formation</b> It is created by the administrative decision of the government and involves no legal formalities.</p> <p>2. <b>Government control</b> Total government controls helps implementation of government policies.</p> <p>3. <b>Public accountability</b> It is fully owned and controlled by the government and is answerable to the parliament. Such control keeps the management alert.</p> <p>4. <b>Secrecy</b> Where national security is concerned, this form is most suitable.</p> <p>5. <b>Proper use of money</b> The risk of misuse of the public money is relatively less due to the strict budget, accounting and audit controls.</p> <p>6. <b>Revenue</b> The revenue earned by these departments' acts as a source of income for the government, as it goes directly to government treasury.</p>	1 2	
19	<p>(a) B2C (b) C2C (c) B2B</p>	1 1 1	
20	<p><b><u>Functions of Promoters or Stages in Promotion</u> Any Three</b></p> <p><b><i>Discovery of business idea</i></b> The promotion stage begins with the discovery of an idea to set up a business. There may be several ideas in his mind and he has to decide which is the most feasible and profitable one.</p> <p><b><i>Feasibility study</i></b> After analyzing all the concepts related to the idea discovered, the promoter starts doing detailed investigation to give practical shape to the idea. He does detailed investigation regarding cost, profitability, production process, demand of the product etc. While doing this, the</p>		

	<p>promoter takes the help of a specialists or experts such as chartered accountant, engineers etc. Feasibility study includes technical feasibility, economic feasibility, financial feasibility etc.</p> <p><b><i>Appointment of bankers, brokers, solicitors and under writers</i></b> The promoter appoints the brokers and underwriters to ensure the availability of capital by sale of a company's securities and solicitors are appointed to deal with then legal matters of the company.</p> <p><b>Assembling the factors of production</b> Once satisfied with practicability and profitability of the proposal, the promoter assembles the factors of production like land, labour, capital and managerial personnel. Assembly of resources involves making contracts for purchase of material, land, machinery, recruitment of staff etc. Promoters also find out persons who are willing to act as the first directors of the company.</p> <p><b>Preparation of Preliminary Documents</b> The promoter takes up the steps to prepare necessary documents of the company which have to be submits to the Registrar at the time of incorporation.</p> <p><b>Entering into preliminary Contracts</b> The promoters enter into contracts with different parties before registration of the company. After registration the company approves these contracts.</p>		
21	<p>INTERNATIONAL SOURCES OF FINANCE</p> <p><b>1.International agencies and development banks</b> A number of international agencies and development banks have emerged over the years to finance international trade and business. These bodies provide long and medium term finance to trade and industries. Examples for international bodies are International Finance Corporation (IFC) Asian Development Bank etc.</p> <p><b>2.International capital market</b> Through the process of liberalization, Indian companies are now free to access global capital markets for raising finance. Thus, international finance has become accessible to Indian corporate enterprises. The main instruments through which companies in India can raise finance from the international capital market are (GDRs) and (ADRs)</p> <p><b>A. Global Depository Receipts (GDR)</b> Global Depository Receipts are created by overseas depository Bank and issued to non-resident investors against the issue of ordinary shares of issuing company. They are dollar denominated instruments. After getting approval from the Ministry of Finance and completing other formalities the issuing company issue shares to the overseas depository Bank and overseas depository then issues dollar denominated Global Depositing Receipts (GDR) against the shares registered with it. The non-resident investors purchase GDR and not shares of Indian Company.</p> <p><b>B. American Depository Receipt (ADR)</b> ADRs are negotiable receipts issued to nonresident, investors by an</p>	3	

	<p>authorized depository, normally a US Bank, in lieu of shares of the issuing (Indian) Company, which is actually held by the Depository. ADRs can be listed and traded in US based stock exchange and help the Indian company to be known in the highly liquid US stock exchanges. ADR also help in the US based and other foreign investors to have the twin benefits of having share holding in a high grown Indian company and the convenience of trading in a highly liquid and well known stock exchange. The depository receives dividend directly from Indian company in rupees and issue dividend cheques to ADR holders in dollars.</p> <p><b>3.Foreign Direct Investment (FDI)</b>          FDI refers to direct subscription to the equity capital of an Indian company by a multinational corporation. Until 1991, FDI was permitted up to 40% of the equity capital of the company. This ceiling was since removed and the government is encouraging 100% FDI.</p>		
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**Questions 22 to 26 answer any four. Each carries 4 score (4 X 4=16)**

22	<p><b>Advantages of cooperative societies-Any Four</b>  <b>Easy formation</b>-Any ten adult persons can form a cooperative society. The registration procedure is simple involving a few legal formalities.  <b>Limited liability</b>-<i>The liability of the members of a cooperative society is limited to the extent of the amount contributed by them as capital.</i>  <b>Democratic Management</b>-The principle <i>one man one vote</i> guarantees democratic management.  <b>Government assistance</b>-<i>Government gives all kind of support to cooperative societies in the form of relief in taxation, subsidies and low interest rates on loans.</i>  <b>Social importance</b>-A co-operative movement eliminates concentration of wealth in a few and provides employment to many people.  <b>Stable existence</b>-A co-operative society has a separate legal existence from its members. So, its life is not affected by death, insolvency, bankruptcy etc of a member.  <b>Economic upliftment of weaker sections</b>-The Co-operative Societies give financial assistance at lower rates of interest to poor farmers, artisans etc. Hence they save the members from being exploited by local money lenders and merchants.</p>	4	16
23	<p><b><u>Features of MNC/Global Enterprises</u></b>  <b>1.International operations</b>          Multinational companies operate globally.  <b>2. Giant size</b>          The most important feature of a multinational company is its gigantic size. Their assets and sales are always billions of dollars and they also make supernormal profit.  <b>3.Centralized Control</b>          The branches of Multinational companies spread all over the world</p>	4	

and are controlled and managed from the headquarters situated in the home country.

**4.Advanced technology**

MNC possess latest and advanced technology. They are able to conform to international standards and quality specifications.

**5.Product Innovation**

They are characterized by having highly sophisticated research and development departments engaged in the task of developing new products, new designs etc.

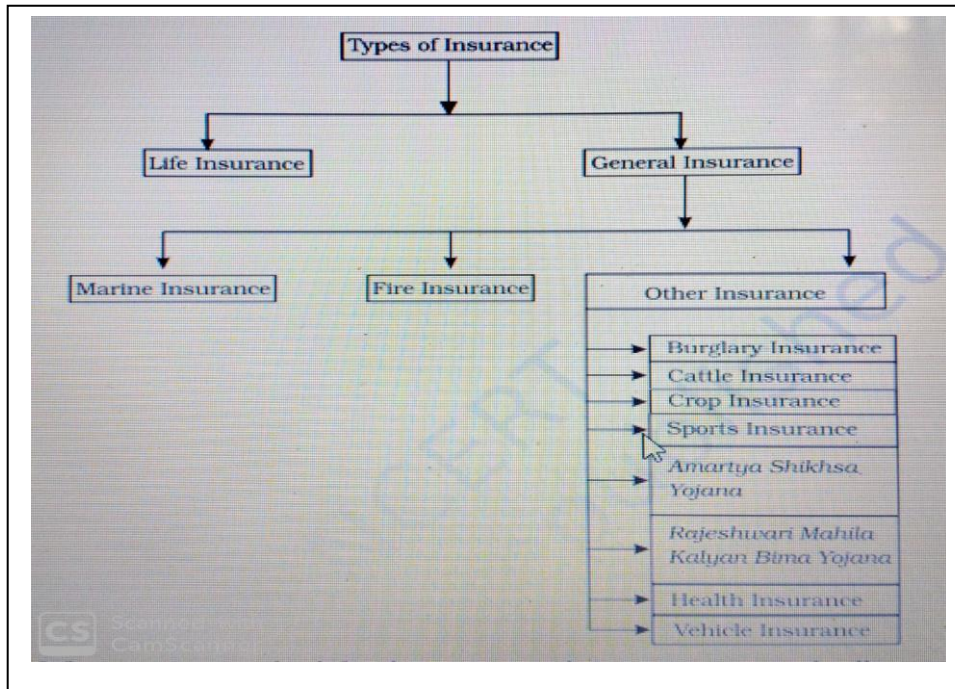
**6. Huge capital resources**

They are in a position to raise huge funds from different sources. They can issue equity shares, debentures or bonds to the public.

**7.Expansion of market territory**

Their operations and activities extend beyond the physical boundaries of their own countries. Their international image also builds up and their market territory and enabling them to become international brands.

24



4

25.

**Any Four:**

**Problems of small business**

**1.Lack of managerial experience**

Small business is generally promoted and operated by a single person, who may not possess all managerial skills required to run the business.

**2.Inadequate finance**

These units frequently suffer from lack of adequate working capital. Banks generally do not lend money without adequate collateral security. As a result they heavily depend on local financial

4

	<p>resources and are frequently the victims of exploitation by money lenders.</p> <p><b>3.Irregular supply of raw materials</b></p> <p>The quality, quantity and regularity of supply of raw materials are another problem of small scale industries. They depend local sources for raw materials requirements and regular supply can't be ensured. Further, units are forced to go for small quantity purchase and pay high prices. They can't enjoy economies of bulk purchase.</p> <p><b>4.Problem of marketing</b></p> <p>Small units find it difficult to popularize the brand name of their products due to the tough competition from big business houses. They can't undertake costly advertisement campaigns.</p> <p><b>5.Outdated technology</b></p> <p>Use of out dated technology is one of the problem facing small scale industries today. It results in low productivity and uneconomical production.</p> <p><b>6.Inefficient labour</b></p> <p>Small business firms can't afford to pay higher salaries to the employees. Therefore it is not in a position to attract efficient employees.</p> <p><b>7.Lack of proper machinery and equipments</b></p> <p>Because of the financial problems, many small units use outdated machinery and equipments for production. This affects the quality and quantity of production. In effect the result will be high cost of production.</p> <p><b>8.Lack of technical know- how</b></p> <p>Small business entrepreneurs do not have much knowledge about different alternative technologies to improve the quality of products and thereby reduce costs.</p> <p><b>9.Global competition</b></p> <p>Because of liberalization and globalisaton, small business firms now face competition not only from medium and large scale industries but also from multinational companies</p>		
26	<p><b>Any Four</b></p> <p><b><u>Major trade promotion measures and schemes to boost international business</u></b></p> <p><b>1.Export Manufacturing Under Bond Scheme</b></p> <p>This facility entitles firms to produce goods without payment of excise and other duties. The firms desirous of availing such facility have to give an undertaking (i.e, bond) that they are manufacturing goods for export purposes and will export such products on their production.</p> <p><b>2.Exemption from payment of sales tax</b></p> <p>Goods meant for export purposes are not subject to sales tax. Now this benefit of exemption from income tax is available only to</p>	4	

100% Export Oriented Units and units setup in Export Processing Zones (EPZs)/Special Economic Zones (SEZs) for selected years.

### **3.Advance License Scheme**

It is a scheme under which the exporter is allowed duty free supply of domestic as well as imported inputs required for the manufacture of export goods.

### **4.Export Promotion Capital Goods Scheme (EPCG)**

The main objective of this scheme is to encourage the import of capital goods for export production. This scheme allows the export firms to import capital goods at lower rate of customs duties. Supporting manufacturers and service providers are also eligible to import capital goods under this scheme. This scheme is especially beneficial to the industrial units interested in modernization and up gradation of their existing plant and machinery.

### **5.Scheme of recognizing export firms as export house, trading house and super star trading house**

With an objective to promote established exporters and assist them in marketing their products in international markets, government grants status of Export House, Trading house, Star Trading house to select export firms. This status is granted to a firm on its achieving a prescribed average export performance in past selected years. These houses are given national recognition for export promotion.

### **6.Export finance**

Exporters require finance for the manufacture of goods. Two types of export finances are made available to the exporters by authorized banks. They are termed as pre-shipment finance and post shipment finance. The finance is available at concessional rates of interest to the exporters.

### **7.Export Processing Zones (EPZ)**

EPZs are established as special enclaves separated from domestic tariff area. It provides an internationally competitive and duty free environment for the production of export goods. The units located in this zone will get infrastructural facilities at a lower cost. They can import capital goods and raw materials for production of export goods without license. They are also permitted to sell 50% of their product in the domestic market at concessional rate of duty. This enables the products of EPZs to be competitive, both quality wise and price wise in the international market.

### **8. Special Economic Zones (SEZ)**

Recently the EPZs have been converted into Special economic Zones (EPZ) which are more advanced form of EPZ. It is a special area deemed to be a foreign territory for the purpose of trading and for imposing duties. Goods coming from SEZ area to Domestic Tariff Area (DTA) is treated as deemed imports and goods going to SEZ area from DTA is treated as deemed exports. SEZs is free from all rules and



regulations governing imports and exports units except relating to labour and banking.

**9. Hundred percent (100% )Export Oriented Units**

They are eligible for all benefits provided to the units in the EPZ. These units can be established anywhere in the country. They are established with the main purpose of exporting their entire production.

**Answer question number 27, carries 5 score (1 x5=5)**

27.	<b>Match the following</b>		1 X 5=5	5
	<b>(A)</b>	<b>(B)</b>		
	(a) ADR	(3) International Source		
	(b) Equity Shares	(4) Voting right		
	(c) Preference Shares	(5) Fixed Rate of Dividend		
	(d) Debenture	(1) Interest		
	(e) Commercial Paper	(2) Short term Source		

**Answer any 2 questions from 28 to 30 .Each carries 5 scores (2 X 5 =10)**

28.	<p><b><u>Auxiliaries to trade</u></b></p> <p><b>1.Transportation</b> Production of goods generally takes place in particular locations. But these goods are required for consumption in different parts of the country. The hindrance of place is removed with the help of various transportation facilities like road transport, rail transport, air transport etc.</p> <p><b>2.Banking and Finance</b> Business activities can't be undertaken unless funds are available for acquiring assets and meeting day to day expenses. Banking helps business firms to overcome the problem of finance by giving necessary funds</p> <p><b>3.Insurance</b> Business involves various types of risks. Risk may arise due to fire natural calamities, accidents etc. Insurance provides protection in all such cases. On payment of a nominal premium the amount of loss can be recovered from the insurance company.</p> <p><b>4. Warehousing</b> There is time gap between the production and consumption of goods. They are to be kept in good condition and make them available as and when required. Warehousing helps business firms to overcome the problem of storage and facilitates the availability of goods when needed.</p> <p><b>5. Advertising</b> Advertisement plays an important role in the process marketing. Through advertisement consumers get information about a particular product and its use. Advertisement removes hindrance of knowledge in the process of trade.</p> <p><b>6. Communication</b></p>	5	10
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	<p>Communication means exchange of ideas, facts, opinions, emotions, information etc. between two or more persons. The successful operation of the business requires that there must be proper communication between buyer and seller. Communication between them is required for placing order, making complaints, making payments, deciding the terms of transactions etc. The various means of communication are telephone, email, mobile phone, fax etc.</p>		
29.	<p><b><i>Importance of social responsibility in business/ why should business is socially responsible?</i></b></p> <p>Social responsibility is a voluntary effort on the part of business. Business is expected to be responsible to society due to the following reasons.</p> <p><b>1.Public Image</b> The activities of business towards the welfare of the society earn goodwill and reputation for the business. The earnings of business also depend upon the public image of its activities.</p> <p><b>2.To Avoid Govt. Regulation</b> To avoid govt. regulations business should discharge their duties voluntarily. For example. If any business firm pollutes the environment it will naturally come under strict government regulation, which may ultimately force the firm to close down its business.</p> <p><b>3.Employee Satisfaction</b> Business must maintain better relation with employees. Employees are to be provided with better wages, better working conditions, participation in management etc...in order to avoid class conflict.</p> <p><b>4. Consumer awareness</b> Now –a-days consumers are very conscious about their rights. They protest against the supply of inferior and harmful products by forming different groups. So business must protect the interest of the consumer by providing quality products at reasonable price.</p> <p><b>5. Moral Justification</b> Every business enterprise is an integral part of society and depends on society in a number of ways. So, there is every moral justification on the part of business to contribute to well being of the society.</p> <p><b>6.Survival and Growth</b> Every business is a part of the society. So, for its survival and growth support from society is very much essential. Business should spend a part of its profit for the welfare of its society.</p> <p><b>7.Better environment for doing business</b> If a business firm voluntarily helps in solving society’s problems such as poverty, unemployment, illiteracy, etc.it gets better environment to conduct its business.</p>	5	

30	<p><b>Any Five:</b>  <b><u>Difference between Memorandum and Articles of Association</u></b></p> <table border="1"> <thead> <tr> <th>Basic</th> <th>Memorandum of Association</th> <th>Articles of Association</th> </tr> </thead> <tbody> <tr> <td>1 Purpose</td> <td>To define the objects and powers of a company</td> <td>To lay down rules and regulations for management</td> </tr> <tr> <td>2. Status</td> <td>Fundamental document -Constitution of the company</td> <td>Subsidiary to Memorandum</td> </tr> <tr> <td>3. Drafting</td> <td>Compulsory for all types of companies</td> <td>Not compulsory for public company limited by shares</td> </tr> <tr> <td>4. Relationship</td> <td>Regulates the relationship between company and outside world</td> <td>Define the internal relationship between company and its members.</td> </tr> <tr> <td>5. Supremacy</td> <td>Memorandum is subordinate to the Act only</td> <td>An article is subordinate to the Memorandum and Companies Act.</td> </tr> <tr> <td>6. Alteration</td> <td>Difficult</td> <td>Easy</td> </tr> </tbody> </table>	Basic	Memorandum of Association	Articles of Association	1 Purpose	To define the objects and powers of a company	To lay down rules and regulations for management	2. Status	Fundamental document -Constitution of the company	Subsidiary to Memorandum	3. Drafting	Compulsory for all types of companies	Not compulsory for public company limited by shares	4. Relationship	Regulates the relationship between company and outside world	Define the internal relationship between company and its members.	5. Supremacy	Memorandum is subordinate to the Act only	An article is subordinate to the Memorandum and Companies Act.	6. Alteration	Difficult	Easy	5	
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**Answer any 2 questions from 31 to 33. Each carries 8 scores ( 2 X 8 = 16)**

31	<p>(a) <b>Hindu Undivided Family or Joint Hindu Family Business</b>  (b) <b>Types of partners (Any four)</b>  <b>1.Active or working partner</b>  A partner who contributes capital and takes active interest in the day to day affairs of the firm is called active partner. He manages and controls the business and his liability is unlimited.  <b>2.Sleeping or dormant partner</b>  A partner who does not take part in the working of the concern is called a sleeping or dormant partner. He contributes to the capital of the firm. He is entitled to share the profits of the firm. His liability is unlimited. He is not known to the public as a partner.  <b>3.Secret Partner</b>  A secret partner is one whose association with the firm is unknown to the</p>	8	16
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general public. He contribute capital to the firm, takes part in the management, shares its profit and losses and his liability is unlimited.

**4.Nominal or Ostensible Partner**

A nominal partner neither contributes capital nor takes any active part, in the management of the business. He only knowingly allows himself to be represented as a-partner. His reputation may be benefited to the firm. He is liable to third partners for all debts of the firm. He is also called a quasi-partner.

**5.Partner in profits only**

When a partner is admitted in a partnership by a special agreement so that he is entitled to share in the profits of the firm but not in the losses, he is known as 'partner by profit only'. He contributes to the capital of the firm. But he has no right to take part in the activities of the business. His liability is unlimited.

**6. Partner by estoppels**

If a partner by his talk or action gives an impression to third parties that he is a partner, then he is known as partner by estoppels. He is not entitled to share the profit of the firm and does not participate in the management. Such a partner is liable as a true partner to third parties

**7.Partner by holding out**

When a person is declared as a partner and he does not deny even after becoming aware of it, he is called a partner by holding out. He becomes liable to those who lent money to the firm on the basis of such declaration. He does not bring any capital nor does participate in the management and profits.

**(c) Difference between Public and Private Companies (Any Three)**

	Point of Difference	Private Company	Public Company
1	Minimum Number of members	2	7
2	Maximum Number of members	200	No limit
3	Minimum paid up share capital	1 Lakh	5 Lakh
4	Minimum Number of directors	2	3
6	Invitation to the public to subscribe its shares or debentures	It can't invite	It can invite
7	Commencement of business	It can start business immediately after receiving <i>Certificate of Incorporation</i> '.	It can start business only after getting <i>'Certificate of commencement of Business'</i> .
8	Transfer of shares	Transfer of shares restricted	Its shares are freely transferable
9	Statutory meeting	Not compulsory	Compulsory
13	Articles of Association	It must file its own Articles	It can adopt Table A instead of Articles of Association

32	<p><b>Any Four</b></p> <p><b>PRINCIPLES OF INSURANCE</b></p> <p><b>1. <u>Principle of Utmost Good Faith(Uberrimate fide)</u></b> Insurance is a contract of utmost good faith. Both the parties to the contract should be absolutely honest to each other in regard to the contract. The insured is liable to disclose all material facts known to him. Similarly, the insurer is also liable to disclose honestly the scope of insurance which he is prepared to grant. If there is non-disclosure or misrepresentation of any material fact, the agreement will be invalid.</p> <p><b>2. <u>Principle of Indemnity</u></b> Indemnity means that in case of any loss, the insured shall be compensated, but the amount of compensation shall never be more than the actual loss. It denotes that the insured is not allowed to make any profit out of his loss.</p> <p><b>3. <u>Principle of Insurable Interest</u></b> According to this principal the insured person must have insurable interest in the life or property insured. Otherwise he cannot claim at the time of loss .Insurable interest means that the insured must have some financial interest in the object, property or life which he is insuring. No person can enter into a contract of insurance unless he has insurable interest in the subject matter of insurance.</p> <p><b>4. <u>Principle of Causa Proxima</u></b> Proximate cause literally means the ‘nearest cause’ or ‘direct cause’. This principle is applicable when the loss is the result of two or more causes. Insurer pays the claim money only if the nearest cause is insured</p> <p><b>5. <u>Principle of Subrogation</u></b> It is an extension of the principle of indemnity. As per this principle after the insured is compensated for the loss due to damage to property insured, then right of ownership of such property passes on to the insurer. If the damaged property has any value left, that cannot be given to the insured. This is because the insured should not be allowed to make any profit, by selling the damaged properties.</p> <p><b>6. <u>Principle of Mitigation of Loss</u></b> Insured can claim for loss or damage only if the loss arises due to reasons beyond the control of the insured. According to this principle the insured is expected to take reasonable care to protect the insured property from loss or damage and has taken effective measures to minimize the loss. The insured must not neglect or behave irresponsibility during such events just because the property is insured In case insurer finds out the loss is due to carelessness of the insured, then the insured losses the right to be compensated for the loss.</p> <p><b>7. <u>Principle of Contribution</u></b> It is applicable to all contracts of indemnity. According to this principle, an insured can insure the same subject matter with two or more insurance companies but he can claim the compensation only to the extent of actual loss either from all insurers or from any one insurer. If</p>	8	

	one insurer pays the full compensation then that insurer can claim proportionate compensation from other insurers		
33	<p><b>Any 4 merits and 4 demerits</b></p> <p><b><u>Advantages of mail order business</u></b></p> <p><b>Limited Capital:</b> -This type of business can be started with limited capital as it does not require huge buildings, fixtures and fittings and stock of goods.</p> <p><b><u>Convenience in buying :-</u></b> Goods are available at the door steps of customer. Hence it is free from troubles, inconveniences and expenses of going to bazar.</p> <p><b><u>Avoidance of middlemen:-</u></b> Avoidance of middle man help in reducing the cost of marketing.</p> <p><b><u>No bad debts :-</u></b> There is no risk of bad debts as sales are made on cash basis.</p> <p><b><u>Lower cost :-</u></b> Elimination of middle man result in avoiding expenses like sales man salary, shop maintenance etc. It makes possible to fix a reasonable price or lower prices.</p> <p><b><u>Wider scope:-</u></b> Area of operating is very wide. Even international trade is possible.</p> <p><b><u>Avoidance of ever stocking of goods :-</u></b> Goods are collected only after receiving the order. Hence there is no need for stocking large quantities of goods.</p> <p><b><u>Disadvantages of mail order business</u></b></p> <p><b>Heavy expenses on advertising:</b> - Mail order business depends on advertisements. It has to spend a large amount on advertisement as compared to other forms of retail business.</p> <p><b>Absence of personal contact:</b> - There are no direct contacts with the buyer and seller.</p> <p><b>No Personal inspection:</b> - Buyer can't inspect the goods before buying it.</p> <p><b>Not suitable for all items:</b> - Only limited type of goods can be sold on this basis.</p> <p><b>Delay in delivery:</b> - Goods are not available in due time.</p> <p><b>Absence of credit facility:</b> - Goods are sold only on cash basis. Credit facility is not available.</p> <p><b>Unsuitable to illiterate class:</b> - Mail order business is based on advertisement. It is not suitable for illiterate class as they are unable to know about the product.</p>	8	