

Common Quarterly Exam - Sep. 2018.

XI - Commerce - Key Answer. [EM]

SECTION - I.

- |       |                     |       |                     |
|-------|---------------------|-------|---------------------|
| 1) C  | Pandya              | 11) a | England             |
| 2) a  | Transport           | 12) C | Mis-management      |
| 3) c  | Profession          | 13) a | MNC                 |
| 4) a  | making Profit       | 14) C | New Delhi           |
| 5) a  | Industry            | 15) b | SBI                 |
| 6) d  | Aids to trade       | 16) b | 1935                |
| 7) a  | Sole proprietorship | 17) C | 2 Lakhs             |
| 8) b  | Co partners         | 18) b | 1957                |
| 9) b  | Optional            | 19) d | Air                 |
| 10) d | Shareholders        | 20) a | Insurable Interest. |

SECTION - II.

2) Foreign Banks:

(i) Banks which have registered office in a foreign country and branches in India are called foreign banks.

(ii) These banks open their offices mostly in big cities and port towns only.

(iii) Examples: 1) Bank of America - The USA  
2) Barclays Bank - The UK  
3) Deutsche Bank - Germany.

22) Nallangadi - meaning:

(i) In Pandiyas period, the place where the goods were sold was called "Angadi".

(ii) The day market was called as "Nallangadi".

23) Sections of Hindu Law:

→ Mitakshara Law

→ Dayabhaga Law.

24) Chartered company:

- Chartered companies are established by the King or Queen of a country. Powers and privileges of chartered company are specified in the charter.

25) Examples of co-operative society:

- (i) Indian Coffee House, and
- (ii) Mother Dairy.

26) Define - MNC

According to, Neil H. Jacoby, "A multinational corporation owns and manages business in two or more countries".

27) Central Bank:

(i) Every nation has one central bank. It is owned by the government of the country.

(ii) The control over the entire banking system of a country is vested with this apex bank.

(iii) Central Banks are known by different names in different countries. In India RBI is the Central Bank.

### 28) ATM - meaning;

- (i) An Automatic Teller machine, is popularly called as ATM.
- (ii) ATM is an Electronic Device, installed by the Commercial banks and operated by the customer himself, to withdraw money and to make other financial transactions.

### 29) Health Insurance:

- (i) Health insurance policy is a contract between an Insurer and an individual or group, in which the insurer agrees to provide specified health insurance at an agreed upon price (Premium).
- (ii) Health Insurance is taken as safeguard against rising medical costs.
- (iii) It provides risk coverage against unforeseen health expenditure that may result in financial hardship.

### 30) E-commerce

- (i) E-commerce or Electronic Commerce is the buying and selling of goods and services through electronic network like internet.
- (ii) The term e-commerce denotes mainly external transactions.
- (iii) The major segment in the sphere of e-commerce includes Health, Education, Real estate, Financial services, digital downloads, online classified advertisement etc.,.

### SECTION - III

#### 31) Features of HUF:

##### (i) Governed by Hindu Law:

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

##### (ii) Management:

The members of the family have full faith and confidence in Karta. Only Karta is entitled to deal outsiders.

##### (iii) Membership by Birth:

The membership of the family can be acquired only by birth. Membership requires no consent or agreement.

#### 32) Role of Sangam in trade development of ancient Tamil Nadu:

(i) Trade in Sangam period was both internal and external but it was conducted by means of barter

(ii) Trade was one of the major means of linking various regions in the medieval period.

(iii) Cattle served as money for some times during the same period.

(iv) Most of the inland trade was done in salt as medium of exchange under barter mode.

(v) Paddy too served as a medium of exchange for certain period.

### 33) Characteristics of Sole Proprietorship:

#### (i) Unlimited liability:

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

#### (ii) Enjoy Entire Profit:

He strives tirelessly for the improvement and expansion of his business and enjoys all the benefits of his hard work.

#### (iii) Maintenance of Secrecy:

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

### 34) Disadvantages of co-operatives:

#### (i) Government Intervention:

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

#### (ii) Misuse of Funds:

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

#### (iii) Limited Scope:

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

35) Persons Involved in RBI Administration:

The RBI is governed by a Central Board of Directors. The 21 member board is appointed by the Government of India.

It consists of:

- (i) One Governor and four Deputy Governors
- (ii) Ten directors from various fields.
- (iii) Two Government officials.
- (iv) Four directors - one each from local boards.

36) NEFT:

- \* This was launched by the RBI in 2005.
- \* Under this system, bulk transfer of transactions are settled in batches during specific timings across India.
- \* Individuals and institutions which maintain accounts with a NEFT enabled bank branch are eligible for using NEFT.
- \* Transactions do not occur under real time basis.
- \* Once in every half hour from 8:00 am to 7:30pm.
- \* 23 settlements are allowed in a day.
- \* NEFT transfers are not allowed on Sundays and bank holidays.

37) Difference between warehouse warrant and warehouse Receipt.

warehouse warrant	warehouse receipts.
1) It is a document of title of goods.	1) It is not a document of title of goods
2) It can be negotiated or transferred to others.	2) It cannot be transferred to others.
3) It can be given a collateral security for getting financial assistance.	3) It cannot be given as collateral security.

### 38) IRDAI - Insurance Regulatory Development and Authority of India

\* It is the statutory, independent and apex body that governs and supervises the Insurance Industry in India.

\* It was constituted in the year 2000 by Parliament of India Act called IRDAI Act, 1999.

\* At present the Head quarter of IRDAI is in Hyderabad.

### 39) Advantages of Franchising:

#### (i) Reduced Risk:

The franchisee will acquire the right of running an already established business, thus eliminating the risk of starting a new business.

#### (ii) Operational Support:

The franchisee is provided assistance is not only obtaining finance, but also in deciding business location, decor/design, staff training and handling day to day operations.

### 40) Features of commerce

#### (i) Economic Activities:

Commerce deals with all economic activities undertaken for profit.

#### (ii) Exchange of goods and services:

Commerce involves an exchange of goods and services for profit.

#### (iii) Earning motive:

Profit is an incentive for undertaking all commercial activities.

## SECTION - IV

41)

### a) Hindrances of Business

#### (i) Hindrances of Person:

- Manufacturers do not know the place and face of the consumers.
- It is retailer who knows the taste, preference and location of the consumers.

#### (ii) Hindrances of Time:

- Consumers want products whenever they have money, time and willingness to buy.
- Goods are produced in anticipation of such demands.

#### (iii) Hindrances of risk of loss:

- Fire, theft, floods and accidents may bring huge loss to the business.
- Insurance companies serve to cover the risk of such losses.

#### (iv) Hindrances of knowledge:

- Advertising and communication help in announcing the arrival of new products and their uses to the people.

#### (v) Hindrances of exchange:

- Money functions as a medium of exchange and enable the buying and selling of any product or service by payment of the right price.

### (b) Objectives of business:

#### (i) Economic objectives:

It is refer to the objectives of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which includes creation of customers, regular innovations and best possible use of available resources.



## (ii) Social objectives:

- Social objectives are those objectives of business, which are desired to be achieved for the benefit of the society.
- Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare.

## (iii) Organizational objectives:

- It denotes those objectives an organization intends to accomplish during the course of its existence in the economy like expansion and modernization, supply of quality goods to consumers, customers' satisfaction, etc.

## (iv) Human objectives:

It refers to the objectives aimed at the well being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training.

## (v) National objectives:

- Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations.
- Business activities should be conducted these goals of the country in mind, which may be called national objectives of business.

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## 42) a) Advantages of Sole trading business:

### (i) Easy formation:

No legal formalities are required to initiate a sole trading concern.

(ii) Small capital:

- Small capital is an important as well as specific advantage of sole proprietorship.
- He can start business with small capital.

(iii) Credit Standing:

- Since his private properties are held liable for satisfying business debts, he can get more financial assistance from others.

(iv) Personal contact with the customers:

- Since he knows each and every customer individually he can supply goods according to their taste and preferences.

(v) Flexibility:

- He can easily adjust himself to the changing requirements of his business.

b) Procedure for registration of a firm:

I) A Partnership firm can be registered at any time by filing a statement in the prescribed form.

II) A statement should be prepared stating the following particulars...

1) Name of the firm

2) The principal place of business

3) Name of other places where the firm carried on business.

4) Names and addresses of all the partners,

5) The date on which each partner joined the firm.

6) The duration of the firm

1) This Statement signed by all the partners should be produced to the Registrar of firms along with the necessary registration fee.

2) Any change in the above particulars must be communicated to the Registrar within 14 days of such alteration.

43)

a) MNC - meaning:

A MNC is a huge industrial organisation which:

- (i) Operate in more than one country.
- (ii) Carries out production, marketing and research activities on international scale in these countries.
- (iii) Seeks to maximize profits world over
- (iv) A foreign company can be a MNC.

Characteristic of MNC:

a) Low cost Labour:

MNC set up their facilities in low cost countries and produce goods/service at lower cost.

b) Proper use of Idle Resources:

Because of their advanced technical knowledge, MNC's are in position to properly utilize idle physical and human resources of the host country.

c) Improvement in Business & Payment position:

MNCs help the host countries to increase their exports.

d) Technical Development:

In fact, MNCs are a vehicle for transference of technical development from one country to another.

e) Managerial Development:

- MNCs employ latest management techniques.
- People employed by MNCs do a lot of research in management.

## b) Types of co-operative Society:

### ① Consumers co-operatives:

- \* Consumer co-operatives are organized by consumers that want to achieve better prices or quality in the goods or services they purchase.
- \* Credit unions are essentially co-operatives of people that use banking services.

### ② Producers co-operatives:

- \* Producer co-operatives are established and operated by producers.
- \* They are organized to produce, market, and distribute their own products.

### ③ Marketing co-operatives:

- \* Co-operative marketing societies are associations of small producers formed for the purpose of marketing their produce.
- \* The marketing co-operatives perform certain marketing functions such as grading, warehousing, advertising etc.

### ④ Credit co-operatives:

- \* Co-operative credit societies are those formed for the purpose of providing short-term financial help to their members.
- \* Agriculturists, artisans, industrial workers, salaried employees, etc., form these credit societies.

### ⑤ Housing co-operatives:

- \* These co-operative housing societies are meant to provide residential accommodation to their members on ownership basis or on rent.
- \* Housing building societies, on the other hand, construct houses for their members instead of granting loans to them.

44)  
a)

## Functions of RBI

The functions of RBI can be grouped into under three heads.

- (i) Leadership and Supervisory functions
- (ii) Traditional functions, and
- (iii) promotional functions.

### (i) The Leadership and Supervisory functions:

- 1) India's representative in the world financial institutions.
- 2) Regulator and Supervisor of India Banking system.
- 3) Monetary authority
- 4) closely monitoring Economic parameters.
- 5) Promptly responding to new challenges.

### (ii) Traditional functions:

- 1) Banker and financial advisor to the government.
- 2) Monopoly of note issue
- 3) Banker's Bank
- 4) controller of credit and liquidity.

### (iii) Promotional functions:

- 1) Nurturing banking habits among the public.
- 2) Currency settlement measure.
- 3) Agricultural development.
- 4) Promotion of small scale industries.
- 5) Facilitates foreign trade.
- 6) Supports co-operative sector.

## b) Secondary functions of Commercial Banks:

- (i) Apart from the basic or Primary functions commercial banks render various other services which are known as Secondary functions.

(ii) These services can be broadly classified into agency services and general utility services.

### ① Agency Functions:

- a) Transfer of funds
- b) Periodic Payment of Premiums, Rent, etc.,
- c) Collection and Payment of cheques.
- d) Acting as Executors, Trustees and Attorneys.
- e) Conduct share market transactions.
- f) Preparation of Income tax return.
- g) Trading in Foreign Exchange
- h) Acting as Correspondent.

### ② General Utility Functions:

- a) Issue of demand drafts and Banker's cheques,
- b) Accepting Bill of exchange on behalf of customers
- c) Safety Lockers,
- d) Letter of Credit
- e) Travellers cheques
- f) Gift cheques
- g) Reference service.

### 45) a) Central warehousing corporation in India:

It was established in 1957. The available storage capacity of central warehousing corporation is 11.17 million tonnes and with the operation through 464 warehousing centers across the country. (as on 30th September, 2017).

## Functions of Central Warehousing Corporation:

- (i) TO provide agency services for scientific storage of agricultural produce, seeds, manures fertilizers, agricultural implements and other notified commodities.
- (ii) TO issue a negotiable warehouse receipt for Procuring Credit to the owners of goods.
- (iii) TO preserve the produce deposited with care and protect against insects and various pests and deterioration due to moisture and dampness.
- (iv) TO act as an agent of the Government for the purchase and sale, storage and distribution of specified commodities and transport to and from warehouse.
- (v) TO reduce the cost of storage and facilitate the marketing of produce through proper grading.

## b) Advantages of Transport:

(i) It increases the efficiency of production:

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

(ii) It develops and expands the market:

- The primary function of transport is to enable the physical distribution of goods at global level.
- The distribution of goods must take place easily, economically and speedily.

### (iii) It aids to economic growth:

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

### (iv) It helps in specialization and mass production:

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

### (v) It encourages innovations in product production and designing:

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

46)  
9)

## Principles of Insurance:

### (i) Utmost Good Faith:

- A contract of Insurance is a contract of utmost good faith.
- In such contract, the insured persons knows everything about the subject-matter of the contract.
- Therefore he should disclose to the insurer all material facts know to him.



## (ii) Insurable Interest:

- Insurable interest means financial interest in the subject-matter of the insurance.
- The insured must have an insurable interest in the subject-matter of the insurance contract.
- Insurable interest must be a pecuniary interest.

## (iii) Indemnity:

- Insurance is a contract of indemnity.
- Indemnity means security or compensation against any loss or damages.
- This means that the insured should be placed after a loss, the same position, as he was immediately before the loss.

## (iv) Causa Proxima:

- 'Causa proxima' or proximate cause means 'nearest cause'.
- An insured person can recover the loss only if the loss is caused by any of the risk insured.
- Such risk should be nearest, and not a distant or remote. The insurance company is not liable for the remote cause.

## (v) Mitigation:

- In case of loss to the insured property, the insured person must make all possible steps to reduce or mitigate loss or damage.
- This principle ensures that the insured does not become negligent about the safety of the subject matter after taking the insurance policy.

b) Different groups benefited out of social Responsibility of Business:

(i) Responsibility towards owners:

The primary responsibilities of Business towards its owners are to:

- ① Run to the Business efficiently
- ② Proper utilisation of capital and other sources
- ③ Growth and appreciation of capital
- ④ Regular and fair return on capital invested.

(ii) Responsibility towards ~~Business~~ Employees:

The responsibility of Business towards its employees include:

- ① Timely and regular payment of wages and salaries.
- ② Proper working conditions and welfare amenities.
- ③ Opportunity for better career prospects.
- ④ Timely Training and development.

(iii) Responsibility towards Suppliers:

The responsibility of Business towards suppliers are:

- ① Giving regular order for purchase of goods.
- ② Dealing on fair terms and conditions.
- ③ Availing reasonable credit period.
- ④ Timely payment of dues.

(iv) Responsibility towards Investors:

The responsibility of Business towards its investors are:

- ① Ensuring safety of their Investment.
- ② Regular payment of Interest.
- ③ Timely repayment of principal amount.

(v) Responsibility towards customers:

The responsibility of Business towards customers are:

- ① Products and services must be able to take care of the needs of the customers.
- ② products and services must be qualitative.
- ③ There must be regularity in supply of goods & services.

47  
9) Distinguish between Economic and Non-Economic Activity

Basis	Economic Activities	Non-Economic Activities
1) Definition	Economic Activities are those activities which are undertaken to earn money or financial gain for livelihood. E.g. Fruit seller selling fruits	Non-Economic activities are those activities which are undertaken for the sake of pleasure, performed out of love, sympathy, sentiments etc. E.g. mother cooks for her family.
2) motive	The sole motive is to earn money or financial gain. E.g. working as lawyer	undertaken for satisfaction of social, psychological or emotional needs. E.g. visit to a temple.
3) money measurement	All Economic Activities can be valued in monetary terms. E.g. doctor charges a fee for consultation.	It cannot be valued in monetary terms. These are an expression of a thought, feeling or a gesture.
4) Relationship	Economic activities are related to creation of wealth. E.g. Ram saved part of his salary to purchase a house	Non-economic activities do not create wealth. E.g. money received as donation is spent on charity.
5) Source of Initiation	Economic activities are initiated to satisfy human needs and wants.	These activities are initiated to satisfy emotional or sentimental pleasures.

47) Comparison between Industry, Commerce and Trade:

Basis	Industry	Commerce	Trade
Meaning	The activities which deals with extraction, reproduction, conversion, processing and construction of useful products.	The activities involving distribution of goods and services.	It is related to purchase and sale of goods and services.
Capital	Generally large amount of capital is required.	Need for capital is comparatively less.	Small capital is needed to maintain stock and to grant credit.
Risk	Risk involved is usually high.	Relatively less risk is involved	Relatively less risk is involved.
Side	It represents supply side of goods and services	It represents demand side of goods and services.	It represents both supply and demand.
Utility Creation	It creates from utility by changing the form or shape of materials.	It creates place utility by moving goods from producers to consumers.	It creates possession utility through exchange.

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