

Part-III**Max.Marks -80****I.Answer any 8 questions from 1 to 10. Each carries 1 scores. (8 x1 =8)**

1. b. Place
- 2.c. International trade
3. a. Itinerant retailers
- 4.a. Extractive
- 5.c. Co- parcener
6. b. Departmental undertaking
7. b. Insured
- 8 .a. Debenture
9. b. B2C
10. Discretionary

II.Answer any 5 questions from 11 to 16. Each carries 2 scores (5 x2 =10)

- 11.a. Artificial Person,b. Separate Legal Entity c. Formation. d. Succession, e. Control. f. Liability
(Any two points)
- 12.Social responsibility refers to the obligations of the businessmen which are desirable in terms of the objectives and values of our society.
- 13.The persons who perform the work of promotion and bring an enterprise into existence are known as promoters. A promoter is an entrepreneur or businessman who gives birth to a business concern and a promoter may be an individual, a firm or a company.
- 14.A company generally does not distribute all its earnings amongst the shareholders as dividends. A portion of the net earnings may be retained in the business for use in the future. This is known as retained earnings. It is a source of internal financing or self- financing or ‘ploughing back of profits’.
- 15.milk, cofee, ice cream,, chips (any 2 points)
16. i) Ease of formation and lower investment requirement.
(ii) Convenience.
(iii) Speed.
(iv) Global reach/access.
(v) Movement towards a paperless society (any 2 points)

III.Answer any 5 questions from 17 to 22. Each carries 3 scores. (5 x3 =15)

17.It is the document which contains all the terms and conditions of partnership and it can be altered at any time with the consent of all the partners. This agreement may be either oral or written; however it will be better in writing itself to avoid disputes in future. It is also known as the “Articles of Partnership”.

Contents of Partnership Deed

- i. Name of the firm
- ii. Names and addresses of all partners
- iii. Nature and place of business
- iv. Date of Commencement of partnership
- v. Duration of partnership, if any
- vi. Capital contribution by the partners
- vii.7. The amount which can be withdrawn by each partner

- viii. Rules regarding operation of bank accounts
- ix. Division of profits or losses
- x. Interest on capital or drawings, if any (Any 4 contents)

18.

- a. Funding – Financed through budget allocation.
- b. Audit and Control – They are subject to Government audit.
- c. Employees – Employees are Government servants.
- d. Control – They are subject to direct control by the concerned ministry.
- e. Accountability – They are accountable to the ministry and the government.(any 3 points)

19.

Basis of distinction	Traditional Business	e-Business
Ease of Formation	Difficult	simple
Physical presence	Required	Not required
Location requirement	Important	Not important
Cost of setting up High Low	High	Low
Operating cost	High	Low
Nature of contact with the suppliers and the customers	Indirect through intermediaries	Direct
Nature of internal communication	Hierarchical	Non-hierarchical

20.a. Promotion

b. Incorporation

c. Subscription of Capital

Promotion

It refers to the sum total of activities by which a business enterprise is brought into existence, or in other words the business operations by which a company is established. Promotion is the discovery of business opportunities and the subsequent organization of funds, property and management ability into business concern for the purpose of making profit there from.

Incorporation

Incorporation means the registration of the company under the Indian Companies Act. It is the second stage in formation of a company.

Capital Subscription

A public company can raise funds from the public by issuing shares and debentures.

21. A factoring organization is a financial service provider which specializes in collection and administration of debts. A factor may be an individual or an institution.

22. Export processing zones has been set up by the government to provide internationally competitive duty free environment for exports. Government is providing infrastructural facilities to produce goods at a lower cost. Customs clearances and other formalities simplified.

IV. Answer any 4 questions from 23 to 27. Each carries 4 scores. (4 x4 =16)

23.(i) Utmost good faith:A contract of insurance is a contract of uberrimae fidei i.e., a contract found on utmost good faith. Both the insurer and the insured display good faith towards each other in regard to the contract.

(ii) Insurable Interest:The insured must have an insurable interest in the subject matter of insurance.

Insurable interest means some pecuniary interest in the subject matter of the insurance contract.

(iii) 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 insured against.

(iv) Proximate Cause: 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 a natural consequence

(v) 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 the insured in respect of recovery from an alternative source is involved.

(vi) Contribution: As per this principle it is the right of an insurer who has paid claim under an insurance, to call upon other liable insurers to contribute for the loss payment.

(vii) 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. **(any 4 points)**

24.

Basis of Difference	Memorandum of Association	Articles of Association
Objectives	Memorandum of Association defines the objects for which the company is formed.	Articles of Association are rules of internal management of the company. They indicate how the objectives of the company are to be achieved.
Position	This is the main document of the company and is subordinate to the Companies Act.	This is a subsidiary document and is subordinate to both the Memorandum of Association and the Companies Act.
Relationship	Memorandum of Association defines the relationship of the company with outsiders.	Articles define the relationship of the members and the company
Validity	Acts beyond the MoA are invalid	Acts which are beyond AoA can be ratified by the members without violating MoA
Necessity	Every company has to file a MoA	It is not necessary for a public ltd. company to file Articles, but it can adopt Table F of the Companies Act 2013

25. Share means share in the share capital of the company. It is the smallest denomination .

Equity shares is the most important source of raising long term capital by a company.

Equity shares represent the ownership of a company and thus the capital raised by issue of such shares is known as ownership capital or owner's funds. Equity share capital is a prerequisite to the creation of a company. Equity shareholders do not get a fixed dividend but are paid on the basis of earnings by the company. They are referred to as 'residual owners'

The capital raised by issue of preference shares is called **preference share capital**. The preference shareholders enjoy a preferential position over equity shareholders in two ways:

(i) receiving a fixed rate of dividend, and (ii) receiving their capital after the claims of the company's creditors have been settled, at the time of liquidation. Preference shareholders generally do not enjoy any voting rights.

26.

Basis	Domestic Business	International Business
Nationality	Buyer and seller belong to one nation	They are from different countries
Other Stakeholders	Suppliers, employees, middlemen, shareholders etc. are the citizens of same nation	Various stakeholders from different countries
Customer heterogeneity	Customers are more homogeneous in nature	More heterogeneous in the matter of language, preferences, customs etc.
Business system and practices	Relatively same system	Different systems and practices are followed
Political system and risk	Subject to the same country	Subject to different countries
Business regulations and policies	Subject to the rules, laws, taxation policies of the same nation	Subject to the rules and policies prevailing the concerned nations
Currency	Currency of the domestic country	Currencies of more than one countries

(any 4 points)

27.(i) **An economic activity:** Business is considered to be an economic activity ,because it is undertaken with the objective of earning money or livelihood.

(ii) **Production or procurement of goods and services:** In order to offer the goods for consumption they must be either produced or procured by the business enterprise. Goods may consist of *consumable goods, industrial goods or capital goods.*

Services include facilities offered to consumers in such as transportation, banking, insurance, electricity etc.

(iii) **Sale or exchange of goods and services:** Directly or indirectly, business involves transfer or exchange of goods and services for value.

(iv) **Dealings in goods and services on a regular basis:** Business involves dealings in goods or services on a regular basis. One single transaction of sale or purchase, therefore, does not constitute business.

(v) **Profit earning:** One of the main purpose of business is to earn income by way of profit.

(vi) **Uncertainty of return:**No business can predicts its future profit as it is uncertain.

(vii) **Element of risk:** Risk is the uncertainty associated with an exposure to loss. (Any 4 points)

V. **Answer any 3 questions from 28 to 31. Each carries 5 scores. (3 x5 =15)**

28.

- | | |
|---------------------------|---------------|
| a. Hindrance of finance | - Banking |
| b. Hindrance of place | - Transport |
| c. Hindrance of time | - Warehousing |
| d. Hindrance of risk | - Insurance. |
| e. Hindrance of knowledge | -Advertising |

29. (A global enterprises) or A multinational company is a company carrying on business in two or more countries. Therefore it may be defined as a company that operates in several countries, such a company has factories, branches or offices in more than one country. Their branches are also called Majority Owned Foreign Affiliates (MOFA). It is also known as multinational corporation, Transnational corporation, global giant, world enterprise, international enterprise, MNCs etc.

Features:

(i) Huge capital resources: These enterprises are characterised by possessing huge financial resources and the ability to raise funds from different sources.

(ii) Foreign collaboration: Global enterprises usually enter into agreements with Indian companies pertaining to the sale of technology, production of goods, use of brand names for the final products, etc. These MNCs may collaborate with companies in the public and private sector.

(iii) Advanced Technology: These enterprises possess technological superiorities in their methods of production. They are able to conform to international standards and quality specifications.

(iv) Product innovation:

(v) Marketing strategies

(vi) Expansion of market territory.

(Any 4 features)

30.1. Finance – One of the severe problems faced by SSIs is that of non-availability of adequate finance to carry out its operations.

2. Raw materials – Availability and procurement of raw material is another major problem faced by the SSIs. Their bargaining power is relatively low due to the small quantity of purchases.

3. Managerial skills – SSIs are generally promoted and operated by single person, who may not possess all the managerial skills required to run the business. They are also not in a position to afford professional managers.

4. Labour – Productivity per employee is relatively low and employee turnover is generally high due to low remuneration. It also faces lack of specialization.

5. Marketing – In most of the cases, marketing is a weaker area of small organisations; therefore exploitation of middlemen is very more.

6. Quality – Many small businesses do not follow the desired standards of quality due to shortage of finance and resources.

7. Capacity utilization – Many of the SSIs are operating below full capacity due to lack of marketing skills or demand. It will cause to increase its operating cost and leads to sickness and closure of the business.

8. Technology – Most of the SSIs use outdated technology, resulting in low productivity and uneconomical production.

9. Sickness – Due to many internal and external problems, most of the SSIs are in the edge of sickness.

10. Global competitions – Most of the SSIs face competitions not only from medium and large industries, but also from Multinational Companies in the areas of quality, technology, finance, managerial skills etc.

(Any 5 points)

31.a. Responsibility towards owner - Fair return.

b. Responsibility towards customer - Quality products.

c. Responsibility towards supplier - Prompt payment.

d. Responsibility towards employees- Fair wages.

e. Responsibility towards government- Payment of tax.

VI. Answer any 2 questions from 32 to 34. Each carries 8 scores. (2 x 8 = 16)

32. **(i) Acceptance of deposits:** It accepts deposits from the public in the form Fixed Deposits, Savings Bank Deposits, Current Deposits, Recurring Deposits etc.

(ii) Lending of funds: Lending of money is the main business of commercial banks and the interest charged on such advances is the main source of income. It may be in the form of cash credit, overdraft, discounting of bills, term loans etc.

(iii) Cheque facility: Banks render a very important service to their customers by collecting their cheques drawn on other banks. The cheque is the most developed credit instrument, a unique feature and function of banks for the withdrawal of deposits.

(iv) Remittance of funds: Another salient function of commercial banks is of providing the facility of fund transfer from one place to another, on account of the interconnectivity of branches.

(v) Allied services: In addition to above functions, banks also provide allied services such as bill payments, locker facilities, underwriting services. They also perform other services like buying and selling of shares and debentures on instructions and other personal services like payment of insurance premium, collection of dividend etc.

33. It can be said that a “one man business” as he invests the entire capital, bears all the risks, takes all the advantages and manages the business by himself. It is also called Individual Proprietorship.

Features of Sole Proprietorship Business:

- a. Formation and closure is easy – No separate law that governs sole proprietorship.
- b. Liability – Unlimited.
- c. Sole risk bearer and profit recipient
- d. Control – Complete control of business is held with the proprietor himself.
- e. No separate entity for the business from the businessman – So that the owner is held liable for all the activities of the business.
- f. Lack of business continuity – Since the business and owner are one and the same entity, his death, insanity etc. will affect the existence of the business.

34.

a. Consumers’ Co-operative Stores –

It is a retail store formed and run by consumers on co-operative principles. These stores are owned and managed by consumers so as to make goods available at a reasonable price. They are dealing in all types of consumer goods of daily use such as grocery, stationery, dress materials etc. The capital is raised by the issue of shares to the members and the management is vested in the hands of Board of Directors. It should be registered under the Co-operative Societies Act.

Advantages•

- a. Easy to form – Any ten people may come together and form a society with limited formalities.
- b. Limited liability – Liability of members is limited.
- c. Democratic management – It is based on democratic principles.
- d. Low price – by eliminating middlemen.
- E .Cash sales – No chance for bad debt due to cash and carry system.
- f. Convenient location – Usually set up in public places.

Limitations

- a. Lack of initiative – The persons who manage and work on honorary basis may not take much initiative for the success of business.
- b. Shortage of funds – Difficulty in raising capital.
- c. Lack of patronage – All members may not be in touch with the organization regularly.
- d. Lack of training and expertise in management.

b. Super Bazaar (Super Market) –

It is also a large scale retail store selling a wide variety of consumer goods. The most distinctive feature is the absence of salesmen and shop assistants to help the customers in selecting the goods. Hence they are also called ‘Self Service Stores’.

Various products are arranged in well marked divisions or departments on open shelves. They are neatly packed and the weight, price, quality etc. are marked on the packets. Customers pick the required products and place them on baskets or wheeled trolleys etc. and are placed at the counter where the goods are billed and payment is made.

c. Mail Order Houses –

It is a form of retailing where the business transactions are done through post or by mail. There is not direct personal contact between the buyer and the seller. Under this system, receipt of orders, delivery of goods and payment etc. are done through the mail. E.g. VPP (Value Payable Post). This system is also called shopping by post.

Advantages

- Limited capital – It does not require huge buildings, furniture etc.
- Elimination of middlemen – Hence the cost of operation is minimized
- No bad debt – No credit facilities are allowed to customers.

Limitations

- No personal contact – Customers do not have a chance to examine the products.
- High promotion cost – Heavy expenses on advertising.
- No after-sales service.
- No credit facilities.
- Delay in delivery.

d. Departmental Stores – A departmental store is a large scale retail shop selling a wide variety of goods in different departments under one roof and one management. Each department deals in separate line of goods like stationery, books, furniture, clothing, footwear etc.

Features

- They provide additional facilities like restaurant, telephone booth, rest room, play area etc.
- Usually located in central place of a big city.
- It is a large scale retail organization, generally formed as joint stock companies.
- Elimination of middlemen – They are making their purchases directly from the producers.
- Centralized purchases and decentralized selling.

(For ASSOCIATION OF COMMERCE TEACHERS (ACT) KOLLAM)