

CHAPTER 1 - NATURE AND SCOPE OF BUSINESS

Q.1. State whether the following statements are True or False with reasons.

1. Wholesaler is in direct contact with ultimate consumers.

Ans. False.

Reasons: a) Wholesaler is the first link in the chain of distribution, b) Wholesaler buys goods directly from the manufacturer or producer in large quantities, c) wholesaler sells in small quantities to the retailer as per his requirements, d) The retailer is in direct contact with the ultimate consumer, e) The retailer is the last link in the chain of distribution.

2. Commerce is a wider term than business.

Ans. True.

Reasons : a) Business is concerned with the production of goods and services, b) Commerce is concerned with the distribution of goods and services, c) Commerce is a wider concept because it consists of trade and Aids to trade which facilitate smooth exchange of goods and services, d) Commerce is widespread and requires human resources and marketing skill, e) Commerce represents the demand side of goods and services.

3. Risk is invisible in business activities.

Ans. True.

Reasons: a) Risk is unavoidable and it exists in all businesses irrespective of its scale and nature, b) Risk can be minimized or can be transferred but cannot be completely avoided, c) The reward for bearing risks is profit, d) Change in demand preferences* tastes, Government policies, change in technology etc. are the possible risks, e) Uncertainty and possibility of loss implies risk which can be minimized.

4. Tertiary industry depends upon primary and Secondary industry.

Ans. True.

Reasons: a) Tertiary industry provides or renders services eg. transport, banking, insurance, warehousing etc. b) Primary industry is concerned with nature because nature provides these industries the required raw materials directly eg. of Agriculture industry. Extractive industry and Genetic industry, c) Secondary industries depend upon the Primary industries for raw material eg. Manufacturing industry. Construction industry d) Secondary industries convert the raw material into finished goods, e) The finished goods are distributed to the ultimate consumer by different agencies (Aids to trade) which constitute the Tertiary industry.

5. Internal traders handle import and export. –

Ans. False.

Reasons: a) External traders handle import and export, b) are concerned with the Wholesale trade and Retail trade, trade, the movement of goods takes place within the geographical of a country, d) an External trade, the exchange of goods between two or more countries, e) Internal trade is also known or Domestic trade. While external trade is also known as Foreign trade or Internal trade.

6. Business can be expanded with the help of mercantile agents.**Ans. True.**

Reasons: a) Business is an economic activity which is concerned with production and distribution of goods and services, b) Mercantile agents like factors, brokers, agents, commission agents etc. help the businessman in overcoming the difficulties involved in trading activities, c) Mercantile agents link the buyers and sellers and facilitate widening of markets, d) They take care of distribution of goods so that the producer can concentrate only on production, e) They act as middleman and solve the problem of people and distance.

7. Transport creates place utility –**Ans. True**

Reasons : a) Transport creates place utility by providing the goods from the place of production to the place of consumption b) It makes goods available at the right time and place and brings about price stability c) It assures movement of raw materials upto the factory and the movement of finished goods to the customers d) Transport solves the problem of distance between production and consumption e) Air, water road and rail are the different ways of transportation

8. Industrial activities takes place after commerce finishes its role-**Ans. False**

Reasons: a) Industry refers to the production aspect of business activity where the raw materials are converted into finished goods, b) Commerce is an activity related to the distribution of the finished goods, c) Industry precedes commerce and represents the supply side, d) Commerce follows industries and represents the demand side, e) Industry is located at one place where factors of production are available while commerce is widespread all over the world. 1) Commerce requires more human resources with marketing skill as it creates time and place utility.

9. Changing fashions is one of the important causes of business risks.**Ans. True.**

Reason: a) Business risks are inevitable and can be minimized with proper planning, b) Each and every business has to face some or the other risk, c) Changing fashion is one of the reasons for causing risk because fashion changes due to change in the preferences, likes, dislikes, taste of the people. Moreover the purchasing power and impact of advertising and publicity affects fashion, d) Demand for the goods might fall due to changing market trends, e) A businessman must always try to minimize the risk by taking proper decision as bearing risk is an essential element of the business.

10. Available resources should be used to its maximum.**Ans. True.**

Reasons: a) Men, money, material and machine are the most valuable resources and they should be utilized to the maximum, b) The resources should be utilized effectively and efficiently by the business organization so as to achieve its objectives, c) The resources should not be wasted and should be utilized to the maximum, d) Most of the resources are scarce and have alternative resources, e) When wastage is restricted, profit automatically increases and the cost of production can be controlled.

CHAPTER 2 – SMALL BUSINESS

Q.1. State whether the following statements are True or False with reasons.

1. Cottage industries are established only in rural areas.

Ans. False.

Reasons: (a) Cottage industries are a part of small business which absorb abundant labour and requires less capital, (b) Cottage industries mostly operate from house and the labours is supplied by family members, (c) They absorb huge amount of surplus labour in rural economy, (d) They produce goods which all highly skillful and requires traditional techniques, (e) Cottage industries are not more producer but produce and maintain quality according to expectations of customers, (f) There is low degree of mechanization and produce goods of hugh skill workmanship like carpets, wooden and ivory carving, (g) Cottage industries mostly use agricultural raw material and are engaged in processing of agricultural goods - fruits processing mango, juice fruit pulp etc. They are not exclusively confined to rural areas. They operate in urban and semi urban areas.

2. Small scale industries use out dated technology.

Ans. True.

Reasons: (a) It is because only a small segment of small scale industries uses the; latest and advanced technology, (b) The rest of the unit do not have access to such; technology, (c) The like of low grade technical know-how and skill have resulted in low; productivity in industries, (d) These units make use of primitive methods of production.: (t) The productivity is low because their units do not maintain the quality and expectation of the consumers.

3. Very less quality of small business products is exported.

Ans. True.

Reasons:(a) The small business contributes in a very less quantity to the exports, (b) It is very difficult to withstand the quality standard technical skills, managerial and marketing skill of developed nation us with outdated technology, (c) There is limited access to markets of developed countries due to stringent requirements of quality certification like ISO 9000, ISO 14000, ISO 26000. (e) Small business unit face problem like lack of organised efforts to increase exports, demand fluctuation, (f) They also face difficulties of cross - cultural marketing.

4. Sickness is very common in small business.

Ans. True.

Reasons: (a) Industrial units unable to sustain themselves financially are called as sick units, (b) Sickness is widespread in small business industries like cotton, fruit, sugar, textile, small steel and engineering industries, (c) Sickness are internal and external in nature. Internal causes : (a) Lack of skilled labour and marketing skill, (b) Faulty planning, (c) Problem of payment recovery, (d) Lack of modernisation, (e) Low labour productivity.

External causes: (a) Delayed payment, (b) Shortage of working capital, (c) inadequate loans. (d) shortage of raw material, (e) Competition from importers and large scale sector.

5. Small business work on full utilization of their capacity.**Ans. False.**

Reasons: (a) Small business are not able to utilise their capacity and resources to the optimum, (b) It is because of the lack of demand and lack of marketing skill, (c) Thus it has to operate below full capacity, (d) Due to underutilization of capacity it leads to increase in operating costs and wastage of resources. (5) This finally results in sickness and closure.

6. Small business is the main source to create employment in rural India.**Ans. True.**

Reason: (a) Small business play a very important role in rural India by generating employment opportunities, (b) It creates largest employment opportunities for rural India next to agriculture, (c) Small scale business must be set up in rural and interior part of India, (d) It can absorb surplus labour and seasonal unemployment can be reduced, (e) The gap between rural and urban disparities can be reduced by setting up small business in rural India.

7. Small scale business is capital intensive industry.**Ans. False.**

Reasons: (a) Small scale business is a labour intensive industry, (b) They absorb huge amount of surplus labour and generate employment on a large scale, (c) Small business support to huge portion of rural population and provides a major source of employment, (d) Seasonal unemployment in the agricultural sector is reduced remarkably by these small scale business, (e) These industries are set up in rural and interior parts of India which create employment opportunities next to agriculture.

8. Small business is not suitable for developing countries.**Ans. False.**

Reasons: (a) Small business are very well suitable for developing countries like India and China. (b) They make use of primitive methods of production, (c) They utilize abundant labour which is readily available, (d) Small business are very prominent in the rural and interior parts of India and they create a lot of employment opportunities next to agriculture, (e) These small business fail to compete in the areas of marketing and produce promotion programme. (6) These small business has limited access to the markets of developed countries due to stringent requirement of quality certification like ISO 9000, ISO 14000, ISO 26000.

9. Productivity of small business is low because of old equipments.**Ans. True.**

Reasons: (a) Productivity of small business is low because of old equipments, (b) It is because of the low grade technical know-how, lack of skilled labours, (c) There is lack of expertise to upgrade technology due to lack of funds, (d) Many units make use of primitive methods of production and then the cost of production increases while the productivity is low.

10. Small Business cannot face global competition.**Ans. True.**

Reasons: (a) It is true that small business cannot face global competition and the main reason is its size and volume of operator, (b) It cannot compete with the multinational companies which are giants in terms of their size and business volume, (c) It is very difficult for these units to withstand the quality standard, technical skill, finance certification, managerial and marketing capabilities of big industries, (d) They do not have adequate resources to invest in quality research and maintain standard of quality, (e) There is limited access to markets of developed countries due to stringent requirement of quality certification like ISO 9000, ISO 14000, ISO 26000.

11. Maintenance cost of small business is high.**Ans. False.**

Reasons: (a) Many units do not have access to sophisticated technology and technical know-how and skills, (b) Many units in small business make use of primitive methods of production, (c) When old equipment's are used for production, it obviously will intensive the case of production as the productivity is low. (d) But the maintenance cost of those units is not high as they do not cater to the changing test and fashion of the people.

12. Small business are able to make huge advertisement and publicity.**Ans. False.**

Reasons: (a) Small business are not able to make huge advertisement and publicity because of its small size, (b) It is very difficult for these units to withstand its quality standard, technical skills, financial creditworthiness, managerial and marketing capability of same industries, (c) They do not have adequate resources to invest in quality research and maintain standard of quality, (d) Moreover the products are non - branded, (e) There is cut throat Competition from large sector.

13. Operating cost of small business is high.**Ans. True.**

Reasons: (a) It is because small business use low grade technical know-how and skills, (b) This has resulted in low productivity in many industries, (c) Many units make use of primitive methods of production, (d) When production takes place with old equipments, it increases cost of production and productivity is low. (e) They concentrate on outing cost and keeping price low because of the limitations of capital and lack of expertise.

14. Small business industry get easy finance at low interest rate.**Ans. True.**

Reasons: (a) Small scale industries is the backbone to economic growth, (b) Primary I and secondary District central co-operative Bank give loans to these small business industries at a very low rate of interest, (c) There loan are utilized by them to facilitate credit flow for promotion and development of agriculture, small business industry cottage and village industries, (d) Institutions like SIDBI, NABARD, SFC provide loan to small scale industries at a low rate of interest, (e) The loan provided are used for expansion, modernization and diversification.

15. Wood carving is considered as modem small scale industry.**Ans. False.**

Reasons: (a) Wood carving is considered as Traditional small scale industry, (b) This is skill full production and there is low degree of mechanisation and are usually family based, (c) There industries produce selective goods of high skill workmanship like carpets weaving, wooden and ivory carving etc. (d) There is no mass production and production is based on the expectation of customers and quality is emphasized on. (e) These induction may be set up in urban and semi urban areas will provide part time and full time employment.

16. Cottage industries use modem machineries.**Ans. False.**

Reasons: (a) Cottage industries provides in a small scale as they are not mass producers, (b) These industries like less degree of mechanization and are family based, (c) These industries are based on skill full production, (d) Some units produce selective goods according to expectation of customers, (e) They used traditional techniques only as home industries are highly skillful production, (f) Operators are mostly by hands as the labour involved are family members.

17. Horticulture is well developed in rural India.**Ans. True.**

Reasons: (a) India diverse soil and climate provides opportunity for horticulture, (b) New methods and techniques have been adopted to increase productivity, (c) Horticulture sector comprises Vegetable, fruits, flowers, medicines and aromatic plants, spices, condiments, mushrooms etc. (d) Various schemes provided by the government like EDP (Entrepreneurial Development Programme) has helped many to develop horticulture business, (e) This industry provide employment and self sufficient.

18. Jute business brings maximum foreign exchange.**Ans. True.**

Reasons: (a) Jute industries is a flourishing industry in rural India, (b) Jute is grown in delta region river Ganges in west Bengal, (c) A wide range of jute production of gunny bags, shopping bags, hands crafts, carpets have a huge demand in urban cities and international markets, (d) This industry contribute to the exports due to its uniqueness, (e) It there brings maximum foreign exchange.

19. SIDBI is the principal contributor to promotive small business.**Ans. True.**

Reasons: (a) SIDBI is a subsidiary of IDBI and was set up in 1989 to promote, finance and develop small business, (b) It initiates for technological upgrated modernization of existing units, (c) It looks into expanding channels of marketing in small business, (d) It promotes employment oriented under this especially in semi urban areas to generate employment, (e) It provides assistance to small business through existing credit delivery system.

CHAPTER 3 – PRIVATE, PUBLIC AND GLOBAL ENTERPRISES

Q.1. Distinguish Between.

1. Statutory Corporation and Government Company

	Statutory Corporation	Government Company
Governing Act	A Statutory corporation is established by a special Act of the Parliament or State Legislature	A Government companies comes into existence on account of incorporation under Indian Companies Act 1956.
Ownership	The Central Government or State Government owns and controls the corporation.	51% or more of its paid up share capital is owned by Central or State Government.
Legal Status	A Statutory corporation has a separate legal entity distinct from the government.	A Government company has a separate entity distinct from the Government.
Contribution of capital	The entire capital is contributed by the Government	The capital is contributed by Central or State Government and partly by general public.
Management	A Statutory corporation is managed by Board of Director's nominated by the Government.	A Government company is managed by Board of Directors appointed by the government and shareholders.
Control	A statutory corporation is controlled by the Parliament or State Legislature.	A Government company is controlled by the government and the shareholders.
Borrowing	A Statutory corporation can borrow funds from the public by way of bonds.	A Government company can borrow funds by way of debts from the public.
power	They enjoy autonomy and take their own decision.	The Government takes the decision as per its social objectives.
Autonomy	The staffs of Statutory corporation are recruited directly and they have to abide to the contract of Service Rules.	The staffs of Government companies are appointed by the company and have to abide to the rules and regulations set by the company.
Staff	Air India, ONGC, FCI (Food Corporation of India), RBI, IJC etc.	SAIL (Steel Authority of India Ltd), BHEL (Bharat Heavy Electric Ltd) STC etc.

2. Statutory Corporation and Departmental Organization:

	Statutory Corporation	Departmental Organization
Governing Act	A Statutory corporation is established by a Special Act of the Parliament or State Legislature	A department undertaking is established by Government Ministry.
Ownership	The Central Government or State Government owns and controls the corporation.	A departmental undertaking is owned, managed and controlled by the Government department.
Legal Status	A statutory corporation has a separate legal entity distinct from the Government.	A department undertaking has no separate entity distinct from the Government-
Contribution of capital	The funds are contributed by the Central/State Government and partly by the general public and financial institution.	The funds are allocated through the annual budget of the government or from Government treasury.
Management	The Statutory corporation is managed by Board of Directors nominated by the Government.	The overall management is in the hands of the Government officials of the concerned Ministry.
Control	A Statutory corporation is controlled by the Parliament or State Legislature.	A departmental undertaking is controlled by the concerned Ministry
Borrowing power	A Statutory corporation can borrow funds from the public by way or bonds.	A department undertaking cannot borrow funds from the public
Autonomy	They enjoy autonomy and take their own decision.	They do not enjoy autonomy in taking their decision.
Staff	The staffs of Statutory corporation are recruited directly and they have to abide to the contract of Service Rules.	The staffs of departmental undertakings are Government servants and sendees are governed by Civil Service Rules.
Examples	Air India, ONGC, FCI, RBI Lic.	The Indian Railways, Post and Telegram Department.

3. Government Company and Departmental Undertaking.

	Government Company	Departmental Undertaking
Governing Act	A Government company comes into existence on account of incorporation under Indian Companies Act 1956.	A departmental undertaking is established by government Ministry.
Ownership	51% or more of its paid up share capital is owned by the Central or State Government	A departmental undertaking is owned, managed and controlled by the Government department.
Legal Status	A Government company has a separate entity distinct from the Government	A department undertaking has no separate entity distinct from the Government.
Contribution of capital	Capital is contributed by the Central or State Government and partly by general public.	The funds are allocated through the annual budget of the government or from Government treasury.
Management	A Government company is managed by Board of Director appointed by the Government and shareholders.	A departmental undertaking is managed by the Government officials of the concerned Ministry.

Control	A Government company is controlled by the government and the shareholders.	A departmental undertaking is controlled by the concerned Ministry
Borrowing power	A Government company can borrow funds by way of debts from the public.	A departmental undertaking cannot borrow funds-from the public
Autonomy	The Government takes the decision as per its social objectives.	A departmental undertaking does not 1 enjoy autonomy in taking decision.
Staff	The staff of Government companies are appointed by the company and have to abide by the rules and regulations set by the company.	The staff of departmental undertaking are government servants and terms of their services are governed by Civil Service Rules
Examples	SAIL, BHEL.	Air India, ONGC, FCI, RBI.

4. Multinational Company and Government Company.

	Multinational Company	Government Company
Meaning	Any company having its head office in one country and business activities in many other countries is called multinational company.	Any company where 51% of the paid up capital is held by the Central or State Government jointly and individually is 1 a Government company.
Capital	Multinational companies have huge financial resources as they raise it through issue of shares, debentures or through borrowings from financial institution.	The capital of a Government company \$ is contributed by the Central/State governments and partly by general public and financial institutions.
Management	The headquarters of these companies (Parent company) manages the branches all over the world.	A Government company is managed i by Board of Director appointed by the Government and shareholders.
Control	The headquarters of these companies exercise control over all the branches and subsidiaries, e.g. Infosys.	A government company is controlled by the government and the shareholders.
Motive	Profit is the main objective of multinational companies.	The main objectives is to make profit and welfare.
Flexibility	They are flexible in their operations as their policies can be modified.	There is no Flexibility as any change o: modification require the approval cr the Government
Efficiency	There is a lot of efficiency in MNCs as they have advanced technology and huge resources.	There is inefficiency and corruption in government companies due to faulty selection, lack of training and faulty promotions.
Staff	They recruit employees who are professionally trained and are able to handle advanced technology.	The staff of Government company is recruited independently by the company and their services are; governed by the contract of Service: Rules.
Examples	Union, Carbide, Ponds, Pepsi etc.	BHEL, HMT etc.

5. Joint Venture and Partnership firm –

	Joint Venture	Partnership firm
Meaning	It is an adhoc association of persons for doing some business.	It is an association of two or more persons doing business to earn profit.
Nature	It is a temporary partnership.	It may be a partnership at will or purpose.
Name	It is ^ without a firm's name.	It is carried under the name and style of the firm.
Persons	The person's carrying the business are called coventurers.	The persons carrying on this business are called partners.
Governing Act	There is no special Act governing the joint venture.	Indian Partnership Act 1932 govern the activities of the firms.
Liability	The liability of co-venturers may be joint and several.	The liability of partners is always unlimited.
Dissolution	A joint venture is dissolved when the venture is completed.	A partnership is not dissolved automatically unless the partners decide.

Q.2. State with reasons whether the following statements are True or False.

1. Multinational companies have branches throughout the world.

Ans. True.

Reasons: (a) Multinational companies are huge industrial organisations through a network of their branches in several countries, (b) 'Multi' means many and 'National' means many nations so, a multinational company is a company, that operates in several countries. (c) Its head office is located in one country and carries out the business in other countries, (d) They are known by their huge size, large number of products, advanced technology, marketing strategies and network of operations all over the world. These companies have a huge capital base and thus they are able to develop their business in developed and under developing countries, (f) Therefore MNCs are also called , Global enterprises, World enterprises or International enterprises.

2. Government company is registered under special legislation.

Ans. False.

Reasons: (a) A Government company is established under the Indian Companies Act 1956 and it is governed by the rules and regulations of the Act. (b) Any company where 51% of the paid up capital is held by the central or State Government jointly or individually a Government company, (c) It is registered under the Indian Companies Act 1956 and so \$ formation's working and winding up is governed by the provisions of the Act. (d) Government company is either wholly or partly owned by the government, (e) The Government is the major shareholder and also controls the management, e.g., BHEL, HMT.

3. Public Enterprises have public accountability.

Ans. True.

Reasons: (a) Public enterprises are owned, managed and controlled by the Central or State Government, (b) Public sector consists of Departmental organisation, Statutory corporation and Government companies, (c) The public sector companies are financed by the government, (d) These companies are accountable to the public and check is maintained on them through the laws, (e) Public enterprises have to face government audit or ministers are answerable to Parliament, (f) Government get funds from the public through various bonds and shares. (g) Thus they are accountable to the public.

4. Departmental organisation has the right to borrow funds from outside.

Ans. False.

Reasons: (a) A departmental organization is owned, managed and controlled by the government department, (b) It is fully owned and is under direct control of the Ministry (c) The overall management is in the hands of the officials and the concerned minister; (d) The funds are allocated through the annual budget of the government, (e) They cannot borrow funds without the consent of the government, (f) The funds come directly from the government treasury.

5. Statutory corporation need not follow the Indian Company's Act 1956.

Ans. True.

Reasons: (a) Statutory corporations have not to follow the Indian companies Ad 1956 but the government companies have to follow this Indian companies Act of 1956 (b) Statutory corporations are formed under a Special Act of Parliament or State Legislature, (c) It is a corporate body created by Legislature having a common seal and perpetual succession, (d) Its objects, powers and functions are regulated by the Act. (e) These corporations are autonomic bodies and are under the direct control of the government. These corporations need not have a Memorandum of Association or Articles of Association and they have to only follow the special statutes.

6. Government companies enjoy legal status.

Ans. True.

Reasons : (a) Government companies are created under the Indian Companies Act 1956 (b) These companies have a separate legal status, apart from the government, (c) It can enter into contracts, acquire and hold property, (d) It can sue and be sued in its own name.

7. Government interference is more in public sector enterprises.

Ans. True.

Reasons : (a) Public sector organisation is owned and managed by the Central or State Government or a jointly by both, (b) The entire capital or 51% of its capital is contributed by the government, (c) Any change or modification in its operation requires the approval of the government, (d) Government plays an important role to promote social welfare of the people (e) Public sector enterprises follow established bureaucratic procedures, (f) Thus we can say that government interference is more in public sector enterprises.

8. Multinational companies help the most companies.

Ans. True.

Reasons: (a) Multinational companies are those companies which have its head quarters located in one country and have branches in many other countries, (b) They are known by their huge size, large number of products, advanced technology, marketing strategies and network of operations all over the world, (c) Mostly MNCs from developed countries dominate the world markets and control the world economy because of the capital resources, (d) MNC's set up their business through a network of their branches in many developing countries and these countries act as a host to MNCs. (e) Host countries benefit from these MNC's by adopting new technology, employment generation, increasing the standard of living.

9. Joint venture is a business agreement in which parties agree to develop for a infinite time {no definitive time.}

Ans. False.

Reasons: (a) A joint venture is a temporary partnership, (b) A Joint venture is a business agreement in which parties agree to develop for a finite time, (fixed time period) (c) A joint venture is dissolved or comes to an end as soon as the venture (business) is completed. (e) Thus a joint venture operates for a finite time and for a specific purpose and it is rightly called temporary collaboration or temporary partnership.

10. Joint venture increases 'Entry Risk' for any foreign company.

Ans. False.

Reasons: (a) Joint venture is a fixed time or specific purpose based temporary collaboration between two parties. (b) Joint ventures may be found between two firms belonging to same country or different countries, (c) Joint Ventures are usually formed in order to combine strength or to by-pass legal restrictions within the country, (d) It helps in reducing 'Entry' risk by using local partner's assets, (e) With the joint Venture between two firms of two different countries, the local resources can be accessed through the participations of national partner is possible, (f) With the help of Joint venture, the goodwill of the local partners is earned forward.

CHAPTER 4 – INTERNAL TRADE

Q.1. Distinguish between :

1. Departmental store and Super Market shop.

	Departmental stores	Super Market shop
Meaning	It is a large scale retail shop having different departments and sections for different types of goods under the same roof.	It is a large scale retail organization that sells a limited variety of good on self sendee basis.
Capital	It requires more capital.	It requires less capital.
Prices	Prices of the goods are higher than the market prices.	Prices of goods are lower as compared to departmental store.
Salesman	In a departmental store each section has a salesman to serve the customer.	In a super market shop there are no salesmen for the sale of goods.
Types of customers	Customers belong to high and middle class.	Customers belong to all types of class.
Motto	One stop shopping or shopping under one roof.	Self-service is the motto.
Area	It requires a very large area.	It requires a limited area.

2. Chain store and Super Market shop :

	Chain store	Super Market shop
Meaning	A chain store is a store having member of a number of similar owned by a single business firm. e.g., Bata	A super market shop sells a wide variety of goods to customers on the basis of self service.
Location	It is normally located in residential areas.	It is opened at a central location of the city.
Type of goods	These stores sell one line of goods and deal in limited variety.	These stores sell all types of goods and offer different varieties.
Salesman	In a chain store salesman provides service to the customers.	In a super market there is no salesman and self service is the rule here.
Variety of goods	They offer limited variety of goods.	They offer wide variety of goods.
Capital	It requires less capital.	It requires more capital .

Q.2. State with reason whether the following statements are True or False with reasons.

1. Retailer sells goods on cash basis.

Ans. False.

Reasons: (a) Retailer normally don't sell goods on credit basis but in the case of shops like general stores, the retailer has to give credit facilities to salaried people, (b) A retailer may sell on cash basis to avoid bad debts and he puts small Boards like No Credit, (c) In order to increase his sales he offers to credit facilities, (d) The retailer may provide credit facilities to customers for shopping convenience, (e) Thus we can say that he always well not sell his goods only on cash basis but also give credit facility to his regular customers.

2. Wholesaler deals in small quantity of goods.

Ans. False.

Reasons : (a) A wholesaler buys goods in large quantity from the manufacturer or the producer, (b) A wholesaler is a connecting link between the manufacturer and the retailer, (c) A wholesaler keeps a ready stock of goods in right quantity, (d) A wholesaler deals in large quantity of goods and provides quick delivery of goods, (e) A retailer may find it very different to stock goods in large quantities, (f) A wholesaler enables the retailer to get prompt delivery of goods.

3. A retailer has no direct contact with consumers.

Ans. False.

Reasons : (a) A retailer has direct contact with customers, (b) A retailer is the last link or the connecting link between the wholesaler and the consumer, (c) A retailer buys in small quantities from the wholesaler and supplies the same to the customer, (d) The retailer provides a variety of goods and makes goods available as per consumer's taste, preferences, likes and demand, (e) Retailer assures continuous and ready supply of goods to the consumers.

4. Departmental store prefers central location.

Ans. True.

Reasons : (a) Departmental stores are centrally located in busy market areas or important junctions, (b) Departmental stores are large retail organizations that carry a very wide variety of products, (c) Customers can make their purchases under one roof, (d) People from different parts of the city can easily access these stores and purchase goods they need, (e) Departmental stores provide a large variety of good quality under one roof and provide maximum shopping convenience, (f) As they are centrally located a good number of customers visit these stores.

5. Super markets shops offer home delivery facilities to customers.

Ans. False.

Reasons : (a) A super market is a large retail organization which offers a wide variety of goods to customers, (b) The principle of the stores is "Self-service" as there are no salesmen appointed to attend to the customers, (c) The goods are displayed in trollies shelves and baskets for the convenience of the customers, (d) The customers make their selection as per their requirements and carry goods-themselves to their residences, (e) These stores do not offer home delivery facilities to customers as they are located centrally and not in residential areas.

6. Customer can easily bargain in one price shops.**Ans. False.**

Reasons : (a) These shops are fixed prices shops, (b) The prices of goods are fixed in advance, (c) Bargaining is not allowed as the prices are very reasonable, (d) Normally cheap variety of goods is sold at such shops, (e) The prices of certain articles are identical, (f) These shops facilitate mass distribution of cheaper varieties of goods like toys, garments, etc.

7. Producers gets market information through wholesalers.**Ans. True.**

Reasons : (a) Producers are constantly in touch with the wholesalers, who produces goods on a large scale according to the needs, preferences and choice given to them by the wholesaler, (b) The wholesaler in turn is in touch with the Retailer who supply them the market information, (c) The retailer knows the consumer's taste preference choices like and dislikes which is passed on to the wholesalers, (d) Thus the producer get the market information through the wholesalers which is an added advantage for the 'reduction purpose.

8. Wholesalers does not carry out any marketing function.**Ans. False.**

Reasons : (a) Wholesaler carries out various marketing function like warehousing advertising, sales promotion etc. on behalf of the manufactures, (b) The wholesale purchase goods from the producer in large quantities as he in direct contact with the manufacturers, (c) They perform different functions in the process of distribution a goods and services, (d) The manufacturer is at ease, as all the marketing functions like assembling, transporting, grading, packing, advertising and financing are performed by the wholesaler.

CHAPTER 5 – INTERNATIONAL BUSINESS

Q.1. Distinguish between:

1. Export and Imports:

	Exports	Imports
Meaning	Exporting of goods involves sending of goods and services of our country to another foreign country.	Importing of goods and services involves purchasing them from another country.
Foreign exchange	The exports brings inflow of Exchange the foreign exchange from other countries.	The import results in the outflow of foreign exchange from the home country.
Effects on the economy	Exports of goods and services bring prosperity to the industries in the home country.	Imports of goods and services on a large scale adversely affect the domestic industries. But import of technology helps progress of home country.
Balance of payments	The export trade earns foreign Payments exchange and results in favourable balance of payment position.	The import trade loses the foreign exchange and results in unfavourable balance of payment position and increase in foreign debts.
"Restrictions	Export trade is less restricted and it is encouraged by giving export incentives	The import trade is always restricted by the government by imposing quotas, tariff duties, import licenses and other restrictions.
Procedure	Domestic business is not influenced by export-import procedures of the country.	International Business needs to follow export import procedures of various countries.
Markets and customers	Domestic companies meet the needs and demands of the domestic markets and customers.	International Business needs to understand the markets and customers of various countries.

2. Licensing and Franchising

	Licensing	Franchising
Meaning	Under licensing, the manufacturer gives the right to use its technology, work methods, copyrights, patents, brand name, trade mark to a manufacturer in a foreign country.	Under Franchising, an independent organisation operates the business under the name of another company.
Form Persons involve	It is a form of direct export. The licensee and the licensor	It is a form of licensing. The franchisee and the franchisor.
Nature of Rules Application	The rules of licensing are less strict as compared to franchising. Licensing is applied to production and marketing of good.	The rules of franchising are more strict compared to licensing. Franchising is applied to services.

3. Sight Draft and Usance Draft.

	Sight Draft	Usance Draft
Meaning	The documents are handed over to the importer only against payment.	The documents are handed over against the acceptance of bill of exchange.
Nature of payment	The payment is made on the spot and credited in exporters account.	The payment can be made at the end of a specified period mentioned in bill of exchange.
Credit period	No credit period is allotted in the case of sight draft.	Credit period is given in case of usance draft.

4. Bill of lading and Airway Bill

	Bill of Lading	Airway Bill
Meaning	Bill of lading is an evidence or proof that the company has accepted the goods for shipping.	Airway Bill is bill given by Airport Authorities that they have accepted the goods to be sent by air.
Means of transport Issued	The means of transport is ship (Cargo) This is issued by the shipping company as a document of title to goods to be loaded on the ship.	The means of transport is Aeroplane. This is issued by the airport authorities as a document of title to goods to be loaded on the aeroplane.
Quantity of the cargo	The quantity of the cargo where the bill of lading is required is more compared to the Airways.	The quantity of the goods which needs to sent by flight is very less compared to ship.

5. Pre-shipment Finance and Post-shipment Finance.

	Pre-shipment Finance	Post-shipment Finance
Meaning	The pre-shipment finance is provided to the exporter for manufacturing, purchasing, process and packing of goods of export.	The post-shipment finance is given to the importers from the date of extending credit after the shipment of goods.
When provided	This finance is provided before the shipment to the exporter.	This finance is provided after the shipment of goods.

Q.2. State with reason whether the following statements are True or False with reasons.

1. The World Trade Organisation (WTO) is the only global international organisation dealing with the rules of trade between nations.

Ans : True.

- (a) The main goal of WTO is to help the producer of goods and services, exporters and importers to conduct their business.
- (b) It assures consumers and producers that they can enjoy secured supplies and greater choice of finished products, components, raw materials and services they can use.
- (c) It aims at creating a more prosperous, peaceful and accountable economic world.
- (d) It regulates trade in goods and services and attempts to reduce all kinds of barriers to trade.
- (e) It provide financial and technical assistance to developing nations and by giving trade concession it tries to safeguard the interest of weaker nation.
- (f) It ensures that all international trade transactions are conducted smoothly.
- (g) It lays a commonly acceptable code of conduct for trade transaction between nations.

2. To avail the concession of tariffs for goods coming from a particular country, certificate of origin is not required.

Ans. False.

- (a) Certificate of origin is required to be submitted to Customs Appraiser at the Custom House.
- (b) Certificate of origin is like a birth certificate of the goods as it certifies the place of production.
- (c) It is issued by the government or non government organisation certifying the origin of goods sold by the exporter to the importer.
- (d) Certificate of origin is also sent along with bills of exchange as a documentary bill to the importer's bank.
- (e) Chamber of Commerce, Merchant Association and Traders Association are authorised to issue the certificate of origin.

3. The Port Trust dues, levied by the landing and shipping dues offices, are also to be paid by the importer.

Ans. True

- (a) Port Trust dues have to be paid by the importer for relieving the goods from the customs.
- (b) These dues are levied by the landing and shipping dues offices.
- (c) These dues are paid by filling a form in duplicate.
- (d) One copy is given back to the importer after payment of dues.
- (e) The receipt is known as trust dues receipt which acts as a proof that the port trust dues have been paid.

4. Advance License Scheme is a duty exemption scheme.

Ans. True

- (a) It is duty exemption scheme.
- (b) In this scheme the exporter manufacture goods for export by using duty free domestic and imported inputs.
- (c) Exporter does not pay any custom duty if he uses imported goods for manufacturing of export goods.
- (d) The exporter who is regular in exporting of goods can get this License against their production programmes and for exporters, they can get the license for a specified period.

5. India is a founder member of WTO.**Ans. True.**

- (a) World Trade Organisation came into existence on 1st January 1995 by replacing General Agreement on Tariffs and Trade (GATT).
- (b) The main objective of WTO is to increase the world trade, development and employment.
- (c) It also aim at liberating the world trade of goods, services and foreign investment.
- (d) It also aim at generating full employment in the member nation thus increasing the purchasing power and standard of living.
- (e) It also resolves the conflicts between member nations through negotiation or dispute settlement panel.
- (f) It increases the world trade of goods and services by reducing and removing the trade barriers. India has also removed quotas on number of item.
- (g) The main aims is to create more prospering, peaceful and accountable economic world.

6. Licensing is a form of direct export.**Ans. True**

- (a) Under licensing, the manufacturer gives the right to use its technology, work methods, copyrights and patents, brand names, trademarks etc. to a manufacture in a foreign country.
- (b) The manufacturer in the domestic country is called a licensor.
- (c) The manufacturer in the foreign country is called "Licensee"
- (d) The Licensor has to invest relatively less and the financial risk is also low.
- (e) Licensing is an easy way to enter foreign markets.

7. Letter of credit is required for obtaining export license.**Ans. False.**

- (a) A letter of credit is demanded by the exporter bank from the importer for guarantee of payment.
- (b) Letter of credit is issued by the importer bank stating the creditworthiness of the importer.
- (c) For promoting the export trade of our country, the exporter has to register himself with Director General of Foreign Trade and obtain a permanent Import Export code number (License for export).
- (d) Letter of credit is very important document as it safeguards the interest of both the exporter and importer.
- (e) Thus letter of credit is not required for obtaining an export license.

8. Bill of Entry is not a part of export document.**Ans. True.**

- (a) Bill of Entry is a part of Import documents.
- (b) Bill of Entry is a document which is presented to the custom authorities by the importer for clearing the imported goods.
- (c) On the basis of bill of entry the importer goods are allowed to enter the importing country's seas.
- (d) The bill of Entry contain the detailed description of goods and details of the importer and exporter and the name of the ship.

9. When the trader of one country purchases the goods from the trader of another country, it is known as export trade.

Ans. False.

- (a) When the trader of one country purchases the goods from the trader of another country, it is known as import trade.
- (b) The trader who purchases the goods is known as importer.
- (c) The trader who sells the goods is known as exporter.
- (d) It involves a lengthy and complicated procedure and many documents.
- (e) It involves a number of import/export regulations of each country.
- (f) It is subject to number of taxes, duties, tariffs and non-tariff barriers.
- (g) It uses waterways or airways as there is a greater distance between (importer) and exporter).

10. Wholly owned subsidiaries means establishing a firm that is jointly owned by two or more independent firms.

Ans. False.

- (a) In wholly owned subsidiaries, the parent company makes 100% investment in its equity capital.
- (b) And by making this investment it acquires full control over the foreign country.
- (c) This is done in 2 ways i.e. the Company sets up a new firm to start operation in the foreign country also known as green field venture.
- (d) The company acquires an established firm in the foreign country and uses that firm to manufacture and market its products in the host country.
- (e) The parent company has complete control over its operation in the foreign country.

CHAPTER 6 – BUSINESS ENVIRONMENT

Q.1. Distinguish between

1. Distinguish between the following :

	Liberalization	Privatization
Meaning	Liberalization refers to removing necessary trade restrictions. It involves deregulation and delicensing.	It refers to allowing the entry of private sector into the public sector. It involves disinvestment in public sector and passing on certain management rights to the private organisation.
Objective/ Aims	It aims at removing all trade restrictions in the economy so as to convert it into a market oriented economy.	It aims at increasing the overall efficiency in the economy by proper use of idle resources of public sector and boosting the efficiency and professionalism of private sector so that performance of the public sector can be boosted.
Process	Liberalization is the first step towards privatisation and globalisation.	Privatization is achieved by operurz the public sector to the private sector. i.e. private sector is allowed m work, manage or control the public sector undertaking.
Interdependence	Privatization is possible only if liberalization is undertaken i.e. only if restrictions are removed private sector can enter the public sector.	Privatization is possible only if liberalization is undertaken ie. only if restrictions are removed the private sector can enter the public sector.
Necessities	It is necessary to bring about an expansion of business and also to increase foreign trade.	Privatization is essential for an economy to globalize through social 3cur.cmic, political and cultural interaction.
Advantage to Nation	It gives an opportunity to the businessmen to undertake any business of their choice; and the consumers get wide variety of choice.	It has helped to reduce the monopoly of public sector and private sector can compete with the public Sector and thus there is increase in economic development, national income and the standard of living.
Employment generation	It may increase employment in private sector because of business expansion.	It may reduce the employment in public sector due to dereservation and disinvestment in public sector.
Competition	It can generate competition among domestic firms and also between domestic and foreign, firms.	It generates competition between Private sector and public sector firms cue to dereservation.

2. Globalization and Liberalization :

	Globalization	Liberalization
Meaning	It refers to business integration of all economies into one whole economy through social, economic, political and cultural interaction.	Liberalization refers to removing unnecessary trade restrictions. It involves deregulation and delicensing.
Objective/ Aim	It aims at creating global market where there is free flow of goods and services, factors of production.	It aims in removing all trade restrictions in the economy so as to convert it into a market oriented economy by removing trade restriction, delicensing and relaxing entry barriers etc.
Process	Globalization is an on-going process.	Liberalization is the first step towards privatisation and globalisation.
Interdependence	Globalization is achieved by integrating national economy with the other economies of the world. This is done by integrating markets, technology or production.	Liberalization allows the market forms to determine the economic activities within the nation by encouraging expansion of business and foreign trade.
Necessities	It is necessary to bring about integration of markets, technology and production and also providing free flow of factors of production allowing Direct Foreign Investment.	It is necessary to bring about an expansion of business and also to increase foreign trade.
Advantages to Nation	Globalisation is a result of liberalisation and privatisation. It integrates national economy with other economies of the world.	It gives an opportunity to businessman to undertake any business of their choice and consumers get a wide variety of goods at reasonable rates.
Employment generation	It may increase employment especially in foreign trade sector and service sector.	It may reduce employment in public sector due to dereservation and disinvestment of public sector.
Competition	It generates competition between domestic and global firm (world).	It can generate competition among domestic firm and also between domestic and foreign firm.

3. Economic Environment and Social Environment :

	Economic Environment	Social Environment
Meaning	It consists of economic condition, economic policies of government and economic systems of the countries.	It consists of customs, traditions, values and beliefs of members of the society.
Stability	The market condition stabilises the economic environment which may be less.	The social environment is more stable as slow and gradual changes take place in the social environment.
Factors	Factors include the demand and supply force and economic policy of the government.	Factors like festival, religions, language, dance, music include the social environment.

Importance	The study of economic environment helps firms to take decision on the production and supply depending upon market forces.	The study of social environment helps business firms to design marketing mix (product, pricing, promotion and distribution) depending upon social factors.
Consideration	It must be considered while planning business activities.	It may not be considered while planning business activities.

4. Political Environment and Legal Environment

	Political Environment	Legal Environment
Meaning	It consists of political parties pressure groups, and government agencies that influence and control the activities of individuals and organization.	It consists of laws, rules and regulations that define rights of individuals and organizations.
Stability	The political environment is less stable as sudden changes take place in political environment.	The legal environment is more stable or changes take place in the laws less frequently.
Factors	Factors include political parties, pressure groups, and government agencies.	Factors include laws, rules and regulation framed by the government and other authorities.
Importance	The study of political environment helps the business firms to deal and keep relation with political parties and government agencies.	The study legal environment helps business firms to follow or admire to the government laws, rules and regulations.
Consideration	Political environment may not be considered while planning business activities.	Legal environment may not affect certain aspects like product, pricing, distribution etc.

Q.2. State with reason whether the following statements are True or False with reasons.

1. Privatisation of the public sector requires some precautions to be taken by the government.

Ans. True.

- (a) Privatisation means to bring most of the enterprises of the country under the ownership, control and management of the private sector.
- (b) It involves deregulating, re-regulation and freeing the markets for the public.
- (c) Privatisation involves the withdrawal of the government's involvement in the economy through transfer of ownership and control of public enterprise to private enterprise.
- (d) There is no political interference involved thus, there is an end to malfunctioning.
- (e) There is more efficiency and transparency as it follows market force.

2. Globalisation results into unequal competition.

Ans. True.

- (a) Globalisation means to integrate the economies to create a global economy or market.
- (b) Globalisation involves production and distribution and it views the whole world as a market.
- (c) A business facing world market has to face cut throat competitions from all the rivals of the globe.
- (d) With globalisation setting in, there is competition between domestic and global firms.

3. Social Environment consists of factors related to the management or public affairs.

Ans. False

- (a) It consists of customs, traditions, values and beliefs of the members of the society.
- (b) The elements includes festival, religion, languages, dance, music and other elements of the society.
- (c) Study of social environment helps the business firms to design the marketing mix (product, price, promotion, distribution) depending upon social factors.
- (d) Social environment must be considered while planning the business activities.

4. The external factors of business environment are controllable factors.

Ans. False

- (a) The External factors of business environment are uncontrollable factors.
- (b) They are more uncontrollable than the operating environment forces.
- (c) External environment is divided into micro environment and macro environment.
- (d) Micro environment consists of those factors in the firm's immediate environment and have direct impact on the working of the firm like the customers, competitors, the suppliers, channel intermediaries and society.
- (e) Macro environment consists of demographic, economic, natural, technological, political, cultural, international and legal forces.
- (f) Thus these external factors of business environment are uncontrollable factors.

5. Liberalisation refers to a set of measures and reforms aimed at the creation of an open economy.

Ans. True.

- (a) Liberalisation means liberating trade, commerce and industry by removing unnecessary restrictions and regulations that has curtailed the freedom of enterprise.
- (b) It refers to freedom to business firm from government control.
- (c) The main purpose is to improve efficiency of business units and reduce government expenditure on licensing department as it reduce licensing.
- (d) In a liberalised environment private sector including foreign enterprises are given greater freedom and autonomy to do business.
- (e) Liberalisation allows market forces to play a greater role in the economy.

6. Globalisation is the expansion and extension of economic activities across political boundaries of a country.

Ans. True

- (a) Globalisation means the expansion of economic activities and integrating it with economies world over.
- (b) Globalisation is integration of economies to create a global economy or market.
- (c) It involves globalisation of both production and distribution.
- (d) It enables a business enterprise to view the entire world as a market and explore the entire world to obtain the resource it needs.
- (e) Globalisation increases the interdependence of countries which results in developments in the field of science and technology.
- (f) The national economies are integrated with the world economy through social, economic, political and cultural interaction.

7. **Privatisation is the transformation of public sector into private sector either fully or partially.**

Ans. True.

- (a) Privatisation refers to allowing the entry of private sector into public sector.
- (b) It involves disinvestment in public sector and passing on certain management rights to the private businessmen.
- (c) It aims at increasing the overall efficiency in the economy by making proper use of idle resources of public sector.
- (d) They aim at using the efficiency and professionalism of the private sector to boost the performance of public sector.
- (e) Private sector is allowed to either own or manage certain public sector undertakings.
- (f) It gives an opportunity to the businessmen to compete with the public sector and thus benefits the consumer to get quality products at competitive price.

CHAPTER 7 – MARKETING

Q.1. State with reasons whether the following statements are true or false:

1. Industrial revolution has given birth to market.

Ans : True.

- (a) Before industrial revolution, the manufacture of goods were produced with the use of labour intensive techniques (use of more labour than machines).
- (b) After industrial revolution, use of machinery in place of manpower (labour) was a sudden change in production technique.
- (c) Production took place in anticipation of demand.
- (d) Channels of distribution bridges the gap between the producer and consumer.
- (e) Marketing includes all these activities, efforts which are undertaken to provide goods from the place of production to the place of consumption.
- (f) Marketing came into existence due to Industrial revolution.

2. Marketing develops unemployment.

Ans : False

- (a) Marketing is an important instrument of employment.
- (b) A number of persons are provided employment while performing the different functions of marketing.
- (c) The different functions or activities of marketing include buying, selling, warehousing, transportation, grading, standardisation, finance, risk bearing, insurance, etc.
- (d) Standard of the living of people increases and thus the economic stability is brought about within the country.
- (e) Marketing improves or maintain a balance between production and consumption and plays a very important role in satisfying the needs of the consumers by acquiring the services of many people in the form of employment.

3. Machinery is not an industrial product.

Ans : False

- (a) Machinery is an industrial product.
- (b) Machinery is manufactured with the help of machines in a factory (industry).
- (c) Machinery is an example of capital goods ie capital goods are used to create more capital.
- (d) Machinery is used for production of other goods.
- (e) The goods which are required by industry for further processing are called as industrial goods and machinery is a very good example of it.

4. Price means exchange value.

Ans : True.

- (a) Price is an exchange value of a product or a service expressed in money.
- (b) Price is an agreement between a seller and a buyer which finally the consumer accepts and pays for.
- (c) Price is expressed in terms of money or kind.
- (d) The price must be equal to the total amount of benefit to physical, economic, social and psychological.
- (e) Thus pricing is an important element in market policy.

5. The standard of a product or a service can be decided by the price.

Ans : False.

- (a) The exchange value of a product is called a price.
- (b) Price is important for all transactions.
- (c) Many factors influence price of a product or service e.g. usability of a product, cost of production, competition, legal rules and regulations, demand, supply.
- (d) The standard of a product or a service cannot be decided by price due to the above factors that influence price.

CHAPTER 8 – NATURE AND SIGNIFICANCE OF MANAGEMENT

Q.1. Distinguish between :

1. Top Level management and Middle level Management:

	Top Level Management	Middle Level Management
Meaning	It refers to the highest level of authority in an organisation.	It refers to the intermediary level of management
Function performed	The main function of top level management is to frame plans and policies for the organisation.	It is concerned with implementing the formulated plans and policies of the top management.
Skills	It requires analytical and conceptual skills.	It requires human skills and mix of conceptual and technical skills.
Accountability or responsibility	Top management reports to the shareholders, governments agencies and society at large.	Implementing the policies may require comparatively less time than formulating the same.
Span of period	Formulating policies is a time consuming affair as it requires more time to analyse situations and formulate plans to achieve the goals.	Implementing the policies may require comparatively less time then formulating the same.
Authority involved	It consists of Board of Directors Managing Director, President, etc.	It consists of department heads such as finance manager, production manager, sales manager etc.
Quantum (Number of personnel)	The personnel involved at the top level management are few in number (Chief Executive Officer)	The personnel involved at the middle level management is quite moderate in number (Departmental heads)
Main function	It is mainly concerned with framing of policies and organising the required resources.	It is concerned with implementing policies the directing the lower level management.

2. Middle level management and Lower level management.

	Middle level management	Lower level management
Meaning	It refers to the intermediary level of management.	It refers to the supervisory or operational level of management.
Functions performed	It is concerned with implementing the policy formulated by the top management.	It is concerned with executing the policies and achieving the goals.
Skills	It requires more of human skill and mix of conceptual and technical skill.	It requires more of technical and operative skills.
Accountability or responsibility	Middle management reports to the top level management.	Lower level management reports to the middle level management.
Span of period	Implementing the policies may require comparatively less time than formulating the same.	Executing the plan may require least time as it is the operational aspect of the policy.

Authority involved	It consists of departmental heads such as finance manager, marketing manager, sales manager, etc.	It consists of foremen, superintendents supervisors and junior executives.
Quantum (No) of Personnel	The number of personnel involved at the middle level management is moderate.	The number of personnel involved at the lower level management is more.
Main function	It refers to the intermediary level of management.	It is involved in operational activities of the organisation.

3. Top level management and Lower level management :

	Top level management	Lower level management
Meaning	It refers to the highest level of authority in an organisation.	It refers to supervisory or operational level of management.
Functions performed	The main function of top level management is concerned with framing of policies for the organisation.	It is concerned with executing the policies and achieving goals on behalf of the organisation.
Skills	It requires more of human skill and mix of conceptual and technical skill.	It required more of technical and operative skills.
Accountability or responsibility	Top management is accountable or reports to the shareholders, government agencies and society at large.	Lower level management reports to the middle level management.
Span of period	Formulating policies is a time consuming affair as it require more time to analyse situations and formulate plans to achieve the goal	Executing the plan may require less time as it is the operational aspect of the policy.
Authority involved	It consists of Board of Directors, Managing Directors, President etc.	It consists of foremen, superintendents^ Supervisors and junior executives.
Number of personnel	At the top level management personnel involved are few.	At the lower level management personnel involved are more.
Main Functions	It is mainly involved in framing of policies and organizing the required resources. Formulate plans to achieve the goal.	It is involved in operational activities of the organisation.

Q.2. State with reason whether the following statements are True or False with reasons.

1. Management can be done without any objective.

Ans. False.

Reasons: (a) Every business, big or small, has to strive to achieve its goals or objectives, (b) Every business aims to achieve its pre-defined goals, maximize its profits, increase its productivity at reduced costs, (c) Management co-ordinates all the resources to attain these objectives, (d) Management is gets things done through others effectively and efficiently by organising all the resources properly, (e) Thus management is a goal-oriented activity.

2. Management is required to conduct business as well as non-business activity.

Ans. True.

Reasons: (a) Management is universal and is applicable to all. (b) Management covers all areas wherever collective activities of people are done, (c) It is not restricted to business, but also includes non-business activities, (d) It means management is applicable to commercial, educational, political, social, religious, etc. activities, (e) Management as a process is applicable to all organisations, business or non-business.

3. Management helps in using the resources properly.**Ans. True.**

Reasons : (a) Management helps to utilize the resources effectively and efficiently to achieve the organisational goals, (b) Management facilitates optimum use of resources in the organisation, (c) Effective management helps to reduce wastage of resources, (d) Optimum use of resources brings good results to the organisation, (e) Maximisation of output by reducing cost is the ultimate aim.

4. Management can be seen as an object.**Ans. True.**

Reasons : (a) Management is done to attain certain objectives (goal), (b) It is a purposeful activity, (c) Every activity whether business or non-business is done to accomplish certain objective, (d) The objective or goals are pre-determined and management is done to achieve these goals, (e) Managers take the efforts to achieve the objectives, (f) Management is not possible without objectives.

5. Management is required even for a very small business.**Ans. True.**

Reasons : (a) Management is required for all the types of organisation whether large or small, business or non-business and at all levels in the organisation, (b) Management enables the organisation to achieve its goals, (c) It helps to enhance the corporate image whether small or big. (d) It helps the organisation to grow and expand, (e) Managers in any organisation whether large or small and at all levels, must follow the process of management, (f) All managers need to plan, to organise, to direct and control all the activities to achieve the organisational goals.

6. Management is art only.**Ans. False.**

Reasons : (a) Management is an art of getting' things done through people, (b) Art means bringing desired results through the application of skill, (c) Management is art, science and a profession:'(a) Every manager uses his imagination or creativity to deal with a particular situation, (e) Management believes in the principle of perfection through practice, (f) Management is a science because management principles are universally accepted and it also establishes a cause-effect relationship, (g) Management is a profession because a professional undergoes a formal training, is a specialist charging a fee and following a code of conduct.

7. Management cannot be considered as a profession.**Ans. False.**

Reasons: (a) Management is a profession because profession is a vocation that involves advanced learning or science, (b) A professional is a person who has undergone rigorous training to acquire a body of knowledge and develop skills to serve the society, (c) A professional undergoes formal training to acquire knowledge of a particular vocation, eg. Doctor, Lawyer, etc. (d) A professional is a specialist in his field, (e) A professional has to follow the code of conduct set forth by the organisation, (f) A professional charges fees for the services rendered to the clients, (g) Professionals have to register themselves with the respective professional body, eg. Chartered Accountants have to register with the Indian Institute of Chartered Accountants.

Thus it is clear from the above reasons that management is a profession.

8. Top level management performs the function of planning.**Ans. True.**

Reasons : (a) The top level management is the apex authority in any organisation consisting of Board of Directors, Managing Director, President, (b) It enjoys the ultimate power of managing the business, (c) It is concerned with planning and framing policies for the future of the organisation, (d) It involves determination of organisational objectives and future of the course of action to achieve them, (e) Planning is deciding in advance - what is to be done, how and where it is to be done, who is to do it and how results are to be evaluated, (f) Planning helps to minimize cost and maximize profits.

9. Lower level management is engaged in the policy making.**Ans. False.**

Reasons : (a) It is the top level management which is engaged in policy planning and framing, (b) Top level management frames the objectives and decides the policies to achieve the objectives, (c) Top level management consists of Board of Directors, Managing Director or CEO (Chief Executive Officer) of the organisation, (d) It also sees that the policies are properly implemented, (e) The lower level management gives instructions and directs the subordinates to complete the task, (f) The lower level management consists of supervisors, foremen, superintendents and other junior executives, (g) The policy and plans formulated at the top level are implemented at low level management, (h) The lower level management plans only day to day operational activities.

10. Level of management are designed according to the size of the organization.**Ans. True.**

Reasons : (a) Management is required in every organisation irrespective of its size and nature of business, (b) Some are small scale organisations while some are medium scale and some are large scale organisations, (c) Management of a small scale organisation may be simple but in a large scale organisation management is complicated, (d) Management in a large scale organisation is done by making different parts or levels, which are made according to size and requirement of the organisation, (e) All the managers in the organisation whether small or big have to plan, organize, direct and control all the activities to achieve the organisational goals.