

**Q.1. A** Select the proper option from the options given below & rewrite the statements. **(5 Marks)**

1. In a partnership firm the liability of a partner is Unlimited.  
a) Limited                      b) Unlimited                      c) None of these
2. The term e business is derived from the terms e-mail and e-commerce.  
a) e-mail                      b) e-pay                      c) Cash
3. Business men are Trustees of society.  
a) Representatives      b) Members                      c) Trustees
4. The consumer protection Act was passed in the year 1986.  
a) 1956                      b) 1986                      c) 1996
5. Management principles establish Cause - effect relationship.  
a) Social                      b) Legal                      c) Cause - effect

**B. Match the pairs.** **(5 Marks)**

**Ans.**

	<b>A</b>	<b>B</b>
1	Cold Storage	Perishable Goods
2	Courier Services	Owned by Individuals
3	e-Business	Electronic business
4	Gang plank	Indirect communication
5	Directing	Moving into action

**C Write a word or a phrase of a term which can substitute each of the following Statements.** **(5 Marks)**

1. The partnership for which duration is not fixed.

**Ans.** Partnership at will

2. The type of principle insurance where principle of Indemnity is not applicable.

**Ans.** Life insurance

3. Movement of consumers against business malpractices.

**Ans.** Consumer Movement

4. The principle of management relates to justice & kindness.

**Ans.** Principle of equity

5. A function directly related to human beings.

**Ans.** Directing

**Q.2. Distinguish Between [Any 3]****(15 Marks)**

1. Private company & Public company.

<b>Private Company</b>	<b>Public company</b>
<b>1. Definition</b>	
A private company is a company which by its articles restricts the right to transfer its shares, if any, limits the number of its members to 50.	A public company means a company which is not a private company.
<b>2. Number of Directors</b>	
In a private limited company a minimum number of 2 directors is essential.	In a public limited company a minimum number of 3 directors is essential.
<b>3. Transfer of share</b>	
Shares in Private company are not transferable.	Public company can invite public for issuing its shares and debentures.
<b>4. Number of Members</b>	
The minimum number of members are 2 and maximum 50	The minimum number of members are 7 and there is no maximum limit of members.
<b>5. Name</b>	
It is compulsory to add the word 'Private Limited' after the name of private company.	It is compulsory to add the word 'limited' after the name of public company.
<b>6. Issue of Prospectus</b>	
It is not compulsory to issue the prospectus and statement in lieu of Prospectus.	It is compulsory to issue of prospectus and in the absence of prospectus to sent statement in lieu of the registrar
<b>7. Minimum Capital</b>	
Minimum paid-up capital is one lakh rupees.	Minimum paid up capital is five lakh rupees.
<b>8. Quorum</b>	
For a meeting of members the quorum is minimum two members	For general meeting of members the quorum is minimum five members.

2. Current A/c and saving account.

Ans.

Current A/c	saving account
<b>(1) Meaning</b>	
It is that account which is maintained by businessman and others who have regular bank transactions	It is that account which is opened by individuals in order to save a part of their income
<b>(2) Withdrawals</b>	
Customers can withdraw money by cheques	Customers can withdraw either by cheques or by withdrawals slip
<b>(3) Facilities</b>	
The bank gives a passbook, cheque book, statements of account and pay-in-slip book to the customers	The bank gives a pass book, cheque book and pay-in-slip book to the customers
<b>(4) Who takes it</b>	
It is suitable for traders, businessmen, firms or institutions.	It is suitable for fixed income group, wage or salary earners
<b>(5) Consideration Operations and Withdrawals</b>	
There are no restrictions on the operation of a current account as long as there is balance in the account	The Customer have certain restrictions on withdrawals
<b>(6) Rate of Interest</b>	
Normally, interest is not given	Interest rate if low.
<b>(7) Nature of Account</b>	
It is of continuous nature	It is of continuous nature
<b>(8) Facilities</b>	
Temporary overdraft facility is given	No Overdraft facility is given

3. Commercial Bank & Central Bank.

Ans.

Commercial Bank	Central Bank
<b>(1) Function</b>	
The main function is to accept deposits from public for lending to industry and others.	The main function of the central bank (RBI) is to regulate money supply in the country.
<b>(2) Printing of Currency</b>	
The commercial banks cannot print current notes.	The central Bank can print currency notes.
<b>(3) Acceptance of Deposits</b>	
The commercial bank accepts deposits from public	The central bank does not accept deposits from public
<b>(4) Loans</b>	
The commercial banks provides loan to industry and commerce.	The Central Bank provides loan to Bank and Financial Institutions.

<b>(5) Ownership</b>	
It can be owned by private and/or by government agencies.	It is owned and controlled by the government of India
<b>(6) Number</b>	
There are many Commercial Banks in India.	There is only one Central Bank (RBI) in India.
<b>(7) Monetary Policy</b>	
The commercial banks do not frame any Monetary Policy	The Central Bank frames the Monetary and Credit Policy
<b>(8) Monitoring</b>	
The Commercial Bank does not keep check on the Central Bank.	The Central Bank keeps a check on the Commercial Banks.

4. Coordinating & Controlling.

**Ans.**

<b>Coordinating</b>	<b>Controlling</b>
<b>(1) Function</b>	
coordinating is a process to establish harmony and integration of different activities to achieve the desired objectives.	Controlling measures the deviation of actual performance from the standard performance and takes corrective actions.
<b>2. Objective</b>	
The main objective is to ensure unity of efforts of the employees and smooth functioning of the organization.	The main objective is to ensure that the targets must be achieved as per the plans.
<b>3. Area of function</b>	
It includes Top Level Management Middle Level Management Lower Level Management	It includes Fixation of standards Measurement of actual performance
<b>4. Factors</b>	
It is concerned with Internal factor	It takes care of Internal as well as external factor for taking corrective action.
<b>5. Order</b>	
It is an important element of organizing. It follows Planning	It follows all other functions. It is an end function of management process.
<b>6. Resources</b>	
It is related with Human Resources. It is an integrated effort.	It is related with all the resources as it helps to achieve targets.
<b>7. Targets</b>	
Internal Co-ordination among employees is must to achieve the desired results	Actual Performance is compared with standard performance are taken to achieve targets.
<b>8. Nature</b>	

It is process where only people are concerned so continuity is needed	It is a process which starts once the actual target is achieved
<b>9. Levels of Management</b>	
All the levels i.e. top to middle to the lower co-ordination is required to achieve targets.	Top level management and middle level managers are responsible for proper controlling of activities.

5. District forum & state commission.

**Ans.**

District forum	State commission
<b>(1) Definition</b>	
A consumer dispute redressal forum working at district level	A consumer dispute redressal forum working at state level
<b>(2) Monetary Jurisdiction</b>	
It can entertain the cases where the value of goods/services and the compensation claimed is less than rupees twenty lakhs	It can entertain the cases where the value of goods/services and the compensation claimed is more than rupees twenty lakhs and less than rupees one core
<b>(3) Duration</b>	
Every member should hold office for a term of five years or up to the age of sixty-five years, whichever is earlier	Every member should hold office for a term of five years or up to the age of sixty-seven years, whichever is earlier.
<b>(4) Nature of complaints</b>	
Only original cases can be entertained which are within the local limits of a district	It can entertain original cases and also appeals against the order of District Forum within the geographical limits of the State
<b>(5) Members</b>	
Other than presidents it has minimum two members	Other than president it has minimum two members
<b>(6) Area Covered</b>	
It covers a particular district	It covers a particular state
<b>(7) President</b>	
District Judge or equivalent	High Court Judge or equivalent
<b>(8) Appeals</b>	
A person dissatisfied with the order of the District forum may appeal to state commission within 30days of such an order.	A person dissatisfied with the order of the state commission may appeal to national commission within 30days of such an order.

**Q.3. Write short notes. [Any 3]**

**(15 Marks)**

1. Outsourcing.

**Ans.** Outsourcing is the process of contracting a business function to specialized agencies. In doing so, the company benefits in two ways:

1. It reduces its own cost.
2. It uses the expertise of the firm which specializes in a particular kind of service. Another example of outsourcing is seen in weddings. The wedding planner outsources all services like decoration, catering, band, etc to providers who are experts in these areas. Now-a-days many municipal corporation and municipalities have outsourced collection of household waste to private companies.

Household waste being collected by private companies outsourced by Municipal Corporations.

- **Need for Outsourcing**

Today services all over the world are becoming highly specialized. Most services require finely tuned skills. With increasing global competition, most companies are focusing on showcasing their products or improving the quality of their goods. This has forced companies to concentrate on their place in the world market. Therefore, companies are taking a fresh look at their business processes. Due to this, many non-core areas are being outsourced to firms who have an especially skilled work force. The concept of outsourcing has emerged as a result of this thinking.

- **Advantages of Outsourcing**

1. **SHARING OF RESPONSIBILITY:** Outsourcing certain activities of business process helps the organization to shift certain responsibilities to the outsourced agency. The agency is then completely responsible for the function and reports regularly to the company.
2. **OPTIMUM UTILIZATION OF RESOURCES:** Since outsourced agencies are specialized in their field, they have technical expertise and experience. Hence, outsourcing leads to better efficiency and effective use of its resources.
3. **REDUCTION IN COST:** Outsourcing leads to cost reduction of the companies. Outsourcing is cheaper than appointing a separate set of people for that particular job. Eg: if a company runs its own canteen, it will have to spend on setting up the kitchen, food ingredients, waste disposal etc.. It would be a very costly affair for a company. On the other hand, if it outsources the canteen to a canteen contractor, it would have to pay per plate consumed which would be cheaper for the company.
4. **CAN FOCUS ON CORE ACTIVITIES:** Company can focus on their core activities when non core activities are outsourced. The managers of the company can focus on product improvement, marketing, improving customer relation and future strategies. They don't have to bother about things which are non-core to the business.

5. **ENTREPERNEURSHIP & EMPLOYMNET:** Outsourcing stimulates entrepreneurship in the country. Many Business have been built only on outsourcing opportunities. Further, outsourcing also creates many employment opportunities.
  6. **INVESTMENT:** Hiring and training staff can be very expensive. By outsourcing a business activity, the company reduces the investment required on hiring and training the people required for such activity.
- **Disadvantages of Outsourcing**
    1. **MISUSES:** There is always a risk that company's information is misused by the firm/contractor. Eg a agency that maintains accounts of a company may disclose confidential financial information to a competitor of the company.
    2. **COMPROMISE:** May compromise on the quality of work that is outsourced in order to cut costs.  
Eg. IT Companies outsources their work to other countries where they get cheap manpower.
    3. **QUALITY:** Problems with quality can arise if the outsourcing agency doesn't have proper processes and /or is inexperienced. In such cases, quality of work done by the contractor may not be upto the mark.
    4. **DELAY IN WORK:** The outside agency may not be able to meet the timelines given by company which may cause problems to the company.
    5. **OVERDEPENDENCE:** In certain cases, a company may become over dependent on the outsourcing agency, especially if the agency is carrying out an important function (task) of the company. This could pose a problem if the outsourcing agency shuts down.

2. Social Responsibility towards public.

**Ans.** Business is a part of society and should follow certain duties towards society. It is obligation by business as it uses society's resources for business proposes.

1. **Providing Employment Opportunities:** Business should provide good job opportunities to young and well educated people in society. Maximum efforts should be taken to generate employment. It can be done by expansion and diversification programmes. So that eligible people from society will get job opportunities.
2. **To Prevent Pollution:** Working of business units result in air, water and noise pollution. The carbon particles, dust, harmful gases, chemicals create air pollution. Harmful chemicals cause water contamination. Sound of machines from factories can disturb the peace of residents. All types of pollution should be controlled by adopting best possible measures.
3. **Better and Maximum Use of Resources:** All types of resources are ultimately owned by the society. Business should use scarce natural resources such as raw materials of iron, steel, fuel etc. in proper manner. The resources should neither remain idle nor there should be wastage of resources. It should be managed carefully.

4. **Help to Weaker Sections of Society:** Economically weak people need financial and medical help from business unit. Business organization should try to uplift such section of society. Certain jobs may be reserved for economically backward people. Business units can provide medical facilities to poor people or should give donations to institutions which are providing such facilities.
5. **Location of Industries:** Industries should be preferably located in industrial zones. It will minimize the adverse effect on residential areas. They should avoid congestion in cities by spreading industries in different places or locations.
6. **Providing Help at the Time of Natural Calamities:** Business units should provide financial assistance to public at the time of natural calamities like floods, storms, earthquakes etc. Business unit should take initiative in providing medical help, food, water and construction of houses for these people.
7. **Raising Standard of Living of the Society:** Business units can contribute to increase the standard of living of society. It includes construction and maintenance of roads, creating public gardens, public library, running charitable hospitals etc. They can also take initiative to overcome certain bad traditions in society by advertising. Such activities can change the outlook of society.
8. **Protest Anti-Social Activities:** Business organization should not involve any anti-social activities like smuggling, association with underworld people, bribing government people, etc. They should not support and provide financial assistance to anti-social elements.

3. Features of planning.

- Ans. 1. Koontz and O'Donnell:** "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. Planning bridges the gap between where we are now and where we want to go. It makes possible things to occur which would not otherwise occur."
2. **James Stoner:** "Planning is the process of establishing goals and a suitable course of action for achieving those goals."

#### **NATURE OF PLANNING**

1. **Primary Function:** Planning is a primary and basic function of management. It acts as a base to other functions of organizing, staffing, directing, co-ordinating, controlling, etc. Proper planning leads to achievement of desired goals in a desired manner in a given period of time.
2. **Intellectual Process:** Planning is an intellectual process. It involves intelligence, imagination and creative thinking. A managers can prepare a sound plan only if he has sound judgment, foresight and imagination. Planning is always based on goals, facts and considerate estimation.
3. **Goal Oriented:** Planning is made to achieve desired objectives of business. Planning initiates the action that would lead to desired goals quickly and economically. It also provides the desired direction for



achievement of goals. eg. Maruti-Suzuki is trying to capture more of the Indian market by launching cars with diesel and eco-friendly (CNG) models.

4. **Future Oriented:** Planning is always done by keeping in mind the future needs. Goals can be achieved only if planning is one with proper thinking. A Good Planner needs to think about future, analyse it and predict it.
5. **Continuous Process:** Planning is a never ending function due to its dynamic nature. Plans are also prepared for specific period of time and at the end of that period, plans are subject to revaluation and review in the light of new requirements and changing conditions. Planning can never come to an end till the business exists. If a particular goal is achieved, another target are set and then again planning process begins.
6. **Pervasive Function:** Planning is required at all the levels of management and in all the departments of an organization. The scope of planning may differ from one level to another. The Top level may be more concerned about planning for the organization as a whole. The middle level may be more specific in departmental plans and the lowers level plans for the implementation of the same.
7. **Dynamic Function:** Planning is done for the future. Since future is unpredictable, planning must provide enough scope to cope with the changes in market demands, competition, government policies, etc. Under changed circumstances, the original plan of action must be revised and updated to make to more practical.
8. **Involves Options and Decision Making:** Planning essentially involves options among various alternatives but there can be only one suitable option among the available alternatives. A manager has to take a decision and select the best option depending upon requirement and available resources in the organization. Decision making is an integral and inseparable part of planning.
9. **Designed for Efficiency:** Planning leads to accomplishment of objectives at the minimum possible cost. It avoids wastages and ensures optimum utilization of available resources like men, money material, methods and machines. Good planning also saves time, efforts and money of an organization.
10. **Planning is the Basis of Control:** Planning and control are two sides of the same coin. Both are closely related to each other. Without the basis of planning, controlling activities become baseless and without controlling, planning becomes a meaningless exercise. Planning precedes controlling and controlling succeeds planning. Both are inseparable from each other.

4. Features of Entrepreneur.

**Ans.** The functions of an entrepreneur are many as they are the sole arranger of an entire organization. They can be explained as follows:

1. **Determination of objectives:** An entrepreneur has to determine the aims and objectives of the enterprise. He should change them as per required conditions or prefer those which are advantages to the enterprise.

2. **Innovation:** An entrepreneur is basically an innovator who introduces new combinations of means of production. He introduces something new in any branch of economic activity. Innovation implies doing new things or doing those things that one already is being done in a new way. Innovation also involves problem solving and the entrepreneur gets satisfaction from using his capabilities in attacking problems.
3. **Good relations:** The development of an enterprise greatly depends on the efficient relations of the superiors, subordinates and all employees. Coordination among the employees of the enterprise will have great effect on the success of an enterprise.
4. **Organizing funds:** To keep the enterprise run successful the need of adequate financial resources has to be looked after by the entrepreneurs. A good relation with the existing and potential investors has to be looked after.
5. **Acquiring new technology:** The requisition of new efficient technological equipment and the timely revision of it as new machinery appears.
6. **Development of market:** The entrepreneurs from time to time try different acts to develop the market for its products. It should also develop the new product in the market or look forward to consumer's demand.
7. **Risk bearer:** Future is uncertain and unknown. The entrepreneur has to take risk in any circumstances. If the enterprise succeeds, the entrepreneur gets profits, if it does not, losses occur. Risk is of two types, insurable or non-insurable. Non-insurable risk can be reduced by the entrepreneur by using his skills and good judgment of the PREVAILING environment.
8. **Taking decisions:** When an entrepreneur is convinced with his idea of a new production, he decides to enter the market with all his motivation and ability. He has to take wise decisions for formulate a proper action plan.

5. Principles of Scientific management.

- Ans. 1. Development of Science for each part of men's job:** According to this principle the manager should use the scientific method to determine every activity performed by the employee in the organization. For this he should consider the following points:
- a. To calculate the time required for each job by observing the employee.
  - b. To determine how much work can an employee perform in a day.
  - c. To find out the best way to do a particular job.
  - d. Instead of using trial and errors method for determining the job use systematic way such as data collection, analysis of data and then drawing conclusions.
2. **Scientific Selection, Training & Development of Workers:** According to Taylor selection of employees is an important task before the manager. The selection procedure should be perfect and systematic. For this purpose the following points should be considered.

- a. The procedure of selection should be scientific. It means the selection should not be based on the judgement of a single person.
  - b. The physical, mental, technical or other qualities required for the job should be clearly defined. This makes the selection easier.
  - c. The employees should be selected on the basis of tests and interviews.
  - d. The employees should be trained from time to time. Training makes employees capable to survive in the job.
- 3. Co-operation between Management and Employees:** To achieve the objectives or goals there should be proper co-operation between the employees and management. The relations between them should be harmonious. Following points should be noted in this regard:
- a. In the organization the emphasis should be given co-operation between the management and workers and not to individualism.
  - b. The goals can be achieved effectively only by co-operation.
  - c. The interests of the management and the workers should be one and the same. They should harmonise.
- 4. Division of Responsibility:** While dividing the work there should be the division of responsibility between the managers and the employees. This can be done by the following way:
- a. The nature and roles played by different level of managers and employees should be determined properly.
  - b. The managers should be given the responsibility of planning whereas the workers or employees should concentrate on the execution.  
This principle helps the employees to perform their best.
- 5. Mental Revolution:** This principle focuses on the complete change in the attitude of the management and employees as regards their relations are concerned. For this change the followings points should be taken into account.
- a. The manager should create a suitable working condition for the employees.
  - b. All the problems should be solved scientifically.
  - c. The employees should perform their jobs carefully and with devotion.
  - d. The employees should use the resources carefully. They should not waste the resources.
  - e. On the other hand management should provide fair remuneration to the employees and boost up their morale.

If there is a change in the attitude of the management and the employees it will help in achieving the goals, increase in the production, creating discipline in the organization and creating a sense of belongingness among the employees.

**Q.4. State True or False with reasons. [Any 3]**

**(15 Marks)**

1. Controlling is the indispensable function of management.

**Ans. This statements is TRUE**

**Reasons:**

- a) Control is an important function of management and consists of all managerial functions such as planning organizing and staffing.
- b) Nature of controlling at different levels of the organization is different.
- c) For instance, top management is responsible for administrative control, middle level management is responsible for execution of policy and low level management is responsible for execution of activities.
- d) If controlling is excluded, all other functions of management are rendered meaningless.
- e) Thus, controlling is the indispensable function of management.

2. Management should avoid workers participation while taking decisions.

**Ans. This statement is FALSE.**

**Reasons:**

- a) Management should encourage workers' participation while taking business decisions.
- b) Employees are the human resources of an organization.
- c) They must be treated with dignity and respect.
- d) Workers should be encouraged to participate in the management.
- e) Workers are the people who face day to day problems arising in the functioning of company. So, they are well aware of these problems. Therefore, they are the right people to find practical solutions to these problems.
- f) Schemes such as common suggestion system for cost saving, quality, circles, profit sharing, co-partnership should be introduced, so as to encourage workers' participation in the decision making process.
- g) It will help to raise the morale of the employees.
- h) It will help to create a sense of belongingness with the organization.
- i) It will help create cordial labour-management relations.
- j) Mutual trust and confidence in employees will enable to achieve managerial goals.

3. Central Bank cannot accept deposits from public.

**Ans. This statements is TRUE**

**Reasons:**

**(i) Bank of the government**

Central bank act as the bank of the government. It accepts government deposits. It provides loans to government. But it does not accept deposits from general public

**(ii) General public cannot operate accounts with central bank**

Central bank does not entertain general public to open account and operate transactions. Central Bank only facilities government transaction not general public

**(iii) Central bank does not invite deposits for commercial purpose**

Central bank is the apex body of banking sector which works to promote economic growth of the nation. It brings price stability.

**(iv) Central bank does not invite deposits for commercial purpose**

Central bank is the apex body of banking sector which works to promote economic growth of the nation. It brings price stability.

Unlike commercial banks, central Bank is not profit oriented . It never invites general public to keep deposits to earn profit.

**(v) Central bank is a welfare oriented organisation.**

The primary objective of central bank is to work for the welfare of the nation. It does not involve in commercial operations for the sake of profit.

It designs and implement monetary policy. It helps commercial banks when they meet financial crisis. But it does not accept deposits from general public.

4. The govt alone is fighting for consumer protection.

**Ans. This statement is False.**

**Reasons:**

Government has introduced various acts to protect consumer rights. However there are va~ other organisations which are fighting for consumer rights.

**1. Business Associations.**

Business associations like Federation of Indian Chambers of commerce and industry (FIO and Confederation of Indian Industry (CII) have framed code of conduct to be followed by i firms in trade practices.

They prescribe well defined guidelines to be followed in looking after grievances of t consumers and recognising consumer rights.

**2. Role of NGOs.**

If the consumers are aware of their rights it is difficult to exploit them. Many social organisations (NGOs) take interest in educating consumers about their rights. They spreao awareness among consumers and guide them how to fight for rights. Self-help is best device to keep away all forms of exploitation.

**3. Consumer organisations.**

The consumer organisations in India started appearing since 1915. The first consumer organisation called Passengers and Traffic Relief Association was forward in 1915. Its major objective is to check quality of food items and consumer durables

At present there are more than 500 consumer organisations functioning in India. Following are some of the important organisations.

Following are some of the important consumer organisations formed at the national level

(i) Consumer Guidance Society of India. (CGSI).

(ii) Council for fair business practices. (CFP)

(iii) Consumer Action Group (CAG).

(iv) Bombay Telephone users Association (BTUA).

(v) Confederation of Indian Consumer Organisations (CICO).

(vi) Consumer co-ordination Council (CCC).

**4. LokAdalat.**

Lok Adalat referred as People's Court is established by the government to settle disputes by compromise. It is held by state Authority, District authority, Supreme court Legal Services Committee, High Court Legal Service Committee or Taluka Legal Service. It accepts pending cases in the regular courts and solves disputes by compromise. The affected consumer can directly present his grievance to a LokAdalat. It charges no court fee. Thus it saves money and time. This system is speedy and economical.

5. A sole trading concern is easiest to form.

**Ans. This statement is True.**

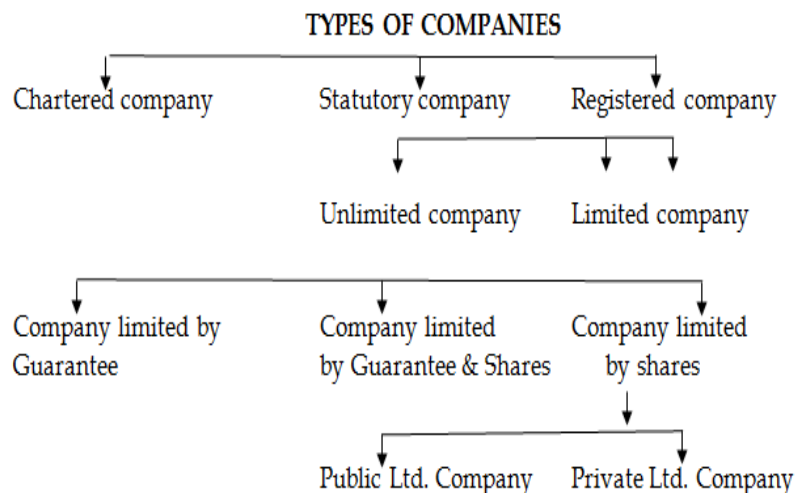
**Reasons:**

- (1) Minimum legal formalities:** Unlike joint stock company, sole trading company need not follow complicated legal formalities. There are few, simple legal formalities to be observed. This makes the formation easy. Anybody who is a major and normal person can start the business. It requires no special qualification.
- (2) No registration:** There is no long procedure of getting the organisation registered under any law. He can start the business as soon as the idea is born.
- (3) Small size:** The business is usually of small size. There is no need to go for establishment of strong infrastructure including machinery and modern technology. Therefore it can be easily organised.
- (4) Small capital:** The sole trading business requires small capital which can be easily mobilised through personal sources. He need not go for public issue of shares and debentures which require a time consuming procedure.
- (5) One man show:** Every aspect of businesses individually under the control of sole trader himself. There is no member or partner. It makes the task easy and quick. There is no need to consult or meet anybody to take a decision.

**Q.5. Answer the following [Any 2]****(10 Marks)**

1. Explain the types of companies.

Ans.

**COMPANY LIMITED BY SHARES CAN BE OF TWO TYPES**

1. **Private limited company:** According to Sec 3(l)(iii) of the Companies Act, 1956.

“A private company is a company which by its articles, restricts the right to transfer its shares, if any, limits the number of its members to 50 and prohibits any invitation to the public to subscribe for any shares or debenture of the company.”

- Restrict the number of its members up to 2 to 50.
- Restrict the right of members to transfer its shares if any.
- Put a ban on inviting to the public to subscribe for any shares in or debentures of the company.
- Prohibits any invitation or acceptance of deposits from persons other than its members, directors or their relatives.
- Must have a minimum paid up share capital of one lakh rupees.
- It is important that all the above said conditions should be in order to remain a private company. If any one of the conditions is not fulfilled by the company, it shall be considered as a public company. In the case of a private company which is a limited company, it must add the words ‘Private Limited’ at the end of its name. A private company may be a company limited by shares or a company limited by guarantee or an unlimited company.

2. **Public Company**

According to Sec 3(l)(iv) a public company means a company which is not a private company. A public company may be said to be an association which.

- Has no restriction on the transfer of its shares.
- There should be a minimum number of members of seven.
- Has a minimum paid up share capital of Rs.5,00,000/- or such higher paid up capital as may be prescribed.
- Does not prohibit any invitation or acceptance of deposits.
- There are minimum 7 members required for the establishment of a public company but there is no restriction on the maximum number of members.

In the case of a public company is limited company, then it must be 'Limited' word at the name of company. The public limited company must have a list 3 directors.

2. Steps in online transactions.

**Ans. Introduction:** - Online Transaction is the process of buying goods and services from merchants who sell on the internet.

Three Stages in online transactions:

- Pre-Purchase / Sale
- Purchase / Sale
- Delivery Stage

**Pre-Purchase / Sale:** It is based upon advertising and information about the product.

**Purchase / Sale:** It includes price of the product, price negotiation, actual purchase or sale and payment.

**Delivery Stage:** After completing sale-purchase stage, this is the final stage.

- Steps involved in on-line transactions:

1. **Registration:** Registration is required for online transactions. The person who wants online transaction needs to register with the online vendor by filling up a registration form. Among various details to be filled in is a 'password' relating to the registered 'account' and 'shopping cart'. For security reasons 'Account' and 'Shopping cart' are password protected.

2. **Placing an order:** The online shopper can pick and drop the things in the shopping cart. The shopping cart maintains the record of what items have been picked up while browsing the online store. After making sure about the items to be purchased, the shopper can choose a payment option.

3. **Payments:** Payment can be done in a number of ways like:

- **Cash on Delivery (CoD):** After physical delivery of goods, payments for the online goods ordered is made.
- **Cheque:** The vendor collects the cheque from the customer and after realization of the cheque, the goods are delivered.
- **Net banking Transfer:** It is an electronic facility of transferring funds through the internet. The buyer transfers the agreed amount to the online vendor's account. After receipt of the amount the vendor delivers the goods.
- **Credit or Debit Cards:** This is popularly known as 'plastic money'. They are mostly used for online payments. The vendors get the amount from the buyer through credit or debit card and make the delivery of goods after receiving the payment.
- **Digital Cash:** It is a form of electronic currency that exists only in cyberspace. It has no real physical properties, but offers the ability to use real currency in an electronic format.

In all the transactions information plays a very important role. Information is exchanged in both traditional as well as on line (internet) business. But as compared to traditional business internet transactions are easier. In traditional business, time is required to travel, to negotiate, to convince, presence of both



the parties for face to face interaction. In this process lot of time is wasted. Whereas in on line transaction required information is provided with terms and conditions and it is free from most of the problems referred above. So online transactions are easier and result oriented than traditional business.

3. Ways & means of consumer protection.

**Ans.** Even though we have the Consumer Protection Act and many other legislations passed by the government to protect the interests of consumers, consumer exploitation is not restricted. As a matter of fact, the judiciary system alone cannot restrict consumer exploitation. So many other ways and means are adopted for consumer protection. They are as follows:

1. **Lok Adalat:** It is one of the ways to resolve consumer problems. It can also be referred as People's Court. It is established by the government to settle disputes by compromise. It is held by State authority, District authority, Supreme Court Legal Service Committee, High Court Legal Service Committee or Taluka Legal Service. It accepts cases pending in regular courts and can be settled by compromise. However both the parties should agree to transfer the case to Lok Adalat from the regular court or if on the application of one party the court sees any chance of compromise. No court fees are charged. If a matter cannot be resolved by compromise it is returned to the regular court. Resolution of disputes by Lok Adalat gets statutory recognition. Some organizations hold Lok Adalats regularly e.g. Railways, Electricity Boards, Telephone Exchanges, Insurance Companies in public sector.
2. **Public Interest Litigation (Janahit Yachika):** Under this scheme any person can approach court of law in the interest of the public. It does not involve any individual interest. Its aim is to provide legal remedy to unrepresented groups of the society. One such group is the consumers. It lies before High court.
3. **Redressal Forums:** Under the Consumer Protection Act, 1986, Consumer Dispute Redressal Agencies have been established by the State and Central Government. These agencies are District Forum, State Commission and National Commission. Supreme Court of India plays the role of the final court of appeal. The main objective of these forums is to protect the rights of the consumers and to offer speedy and inexpensive redressal for consume complaints.
4. **Awareness Programmes:** The Government of India has adopted various publicity measures to increase the level of consumer awareness. The government makes use of journals, brochures, posters, etc. to convey the message of consumer protection, consumer courts, etc. The society in general observes World Consumer Rights Day on 15th March and National Consumer Day (of India) on 24th December. Various consumer related programmes are telecasted on various TV channels. Even all India Radio and FM channels are used for this purpose.
5. **Consumer Organizations:** Many consumer organizations are active throughout the world as well as in India. It was realized that just by talking

about moral conduct or about code of fair business practices or even by making legal provisions, it is not possible to discipline all the members of the business community. Instead, it is necessary to strengthen the consumer movement. Thus, more and more consumer organizations are helping the consumers to fight for their rights through protests, campaigning, lobbying, etc.

6. **Consumer Welfare Fund:** It is created by the Department of Revenues for providing financial assistance to voluntary consumer movement, particularly in rural areas. This money is used in consumer education, complaint handling, counseling, guidance, etc.
7. **Legislative Measures:** Indian Government has passed many acts to protect consumers. Some of them are Drug Control Act 1950, Prevention of Food Adulteration Act 1954, Essential Commodities Act 1955, The Standards of Weights and Measures Act, 1976 etc. An important act was also the Monopolies and Restrictive Trade Practices Act, 1969. However, these acts could not protect consumers in the real sense. So a more elaborate legislation was passed i.e. the Consumer Protection Act in 1986. Under this act a consumer can file a suit against any manufacturer or seller in case of loss due to the use of any product or services.

4. Techniques of scientific management.

**Ans.** The techniques of scientific management help a manager to apply the principles of scientific management effectively. These techniques are discussed below.

1. **Time Study:** This technique helps a manager to calculate the time required to perform a particular job. He can take the decision about production or completion of an activity with the help of this technique. The time study is based on the speed of average worker. Every part of the total work is studied in details and the time required to perform that job is calculated. This enables the manager to ascertain the standard time taken to complete a specific job. The manager can decide the remuneration to be paid to the worker based on this.
2. **Motion Study:** Motion study is the close study of body movements. That is the movements of hands, legs and other body parts. Manager should study these movements. This study helps the manager to understand the movements required for a person do to a particular task. This technique can be used by the manager to eliminate the unnecessary movements for doing the job. With the help of motion study the manager can eliminate or combine some actions in the process. Motion study increases efficiency and productivity of the employees.
3. **Functional Foremanship:** This technique refers to the guidance given to the worker by a specialist foreman. According to this technique a single worker is supervised by different supervisors. For doing a particular job, the worker performs various small tasks. While doing this job he will get the guidance and will be supervised by different superiors for each task. This technique is exactly opposite of Fayol's principle of unity of command. According to Fayol there should be one boss for worker but

according to this technique for one worker there can be many supervisors. Taylor says that work can be done accurately by this technique. This method is mainly useful for production department.

4. **Standardization:** Standardization in the production implies (i) Selecting the standard tools and equipments for production and (ii) maintaining standard working conditions at the place of work.  
The management should provide good quality of tools and equipments used for production of a good quality. This helps the workers to perform the job easily and efficiently. Secondly the working conditions should be good so that the workers can give their best output. This technique minimizes the cost of production and makes best use of available resources.
5. **Different Piece Rate Plan:** According to Taylor there should be discrimination between the efficient and inefficient workers. The payment should be made according to the performance of the worker. The efficient workers should be paid more whereas inefficient workers should be paid less remuneration. In this method a standard is fixed for production. Those who produce more than the standard should be paid more in the form of an incentive and those who perform less than the standard be paid less as penalty. This system gives encouragement to those who perform well and motivates those who have underperformed to improve their performance.
6. **Others Techniques:** In addition to the above techniques some others techniques are also suggested by Taylor. They include the use of instruction cards, strict rules of discipline, and use of charts, graphs, slides, charts to instruct the workers etc. These techniques are also used to develop better relations between the employers and employees.

**Q.6. Answer in detail. [Any 1]**

**(10 Marks)**

1. Define Joint Hindu family business and explain its merits and demerits.

**Ans. DEFINITION:** When a Joint Hindu family (Hindu Undivided family or HUF) conducts business inherited by it as per Hindu Law, it is called Joint Hindu family firm. Thus in a Joint Hindu Family firm, the business is passed on from one generation to another.

**Merits of Joint Hindu Family Business:**

1. **Easy to start:** Joint Hindu family business is very easy to form. It comes into existence as per Hindu Law. Family members become co-parceners in the firm by virtue of their birth in the family. Moreover no registration is required for a Joint Hindu family firm in respect of minimum or maximum members.
2. **Prompt Decision:** The Karta has complete control over his business. He takes all the business decisions. Therefore, Karta takes the right decisions at the right time.
3. **Good Relations with Employees:** Joint Hindu family has few employees with whom good and personal relations are maintained as in case of a sole trading concern. These motivated employees extend their complete

support for conducting business successfully.

4. **Flexibility:** Due to quick decisions, Karta can bring about the required changes in business viz, expansion of the business activities or diversification of business as per the changing business trends quickly.
5. **Secrecy:** Karta of the Joint Hindu family business is the manager of the business himself and all the family members are co-parceners of the business, so the secrecy of the business remain with the family.
6. **Co-parcener's Liability:** Karta is the head of the family. The liability of co-parceners is limited to the extent of their share in the Joint Hind family business. Karta is the custodian of the Joint property of the Joint Hindu family firm. If the property of Joint Hindu family firm is not sufficient to pay off the third party liabilities, his personal property can be utilized for the purpose.
7. **Good Credit Standing:** A Joint Hindu family firm enjoys a good credit standing in the market. Since the business is being conducted for a longer period of time and is being passed on from one generation to another, it enjoys goodwill in the market. Moreover, the liability o Karta is unlimited. As a result banks and other financial institutions are willing to grant the loans.
8. **Continuity and stability:** Joint Hindu family business does not come to an end by take over the business. Thus, continuity and stability of business is ensured, which is crucial for the success of any business organization.

#### **Demerits of Joint Hindu Family Business:**

1. **Limited Resources:** The funds of Joint Hindu Family business are limited. Because of limited funds, business cannot be established on a large scale.
2. **Limited Managerial Skills:** Only the managerial skills of Karta are used for running of the business to be very successful in this competitive business world. It cannot be expected from any co-parcener however intelligent he may be, to know all the intricacies of the business.
3. **Unlimited liability of Karta:** Karta always faces the risk of his personal property being used for paying the third party liabilities, if the business assets are not sufficient to pay them off. He therefore becomes over cautious and may not be prepared to take any business risk. This may adversely affect the profitability of the firm.
4. **Breaking of Joint Family:** The firm is always exposed to the risk of the breaking of the Joint Family, in such a case, the family business may also come to an end to the extent, the stability and continuity of the firm is endangered.
5. **Lack of Direct Effort:** Though Karta is the only family member who put in all his managerial skills for running the business efficiently and successfully, the profits are shared by all the co-parceners. Therefore, they may not be motivated to give the best to the firm.
6. **Restricted Expansion:** Due to limited financial and managerial resources of the firm and over cautious nature of Karta, it is not possible for the firm

to expand the business beyond a certain limit. The is forced to conduct business on the small scale and deal in the local market.

7. **Unlimited membership:** Since the membership in the joint family business is on the basis of birth, there is no limit on membership. The number increases as per births in the family. Thus the number cannot be predicted and it may be unlimited. There is no upper limit for number of membership.

**OR**

2. Define commercial banks and explain its functions.

**Ans.** Commercial bank performs diverse types of functions. It satisfies the financial needs of the sectors such as agriculture, industry, trade, etc. It plays a very significant role in a process of satisfying economic and social needs. The functions performed by banks are changing according to change in time and recently they are becoming customer centric and widening their functions.

Functions of the commercial banks are divided into two categories/types:

1. Primary Functions
2. Secondary Functions

1. Primary Functions

**A. Accepting Deposits:** The most important activity of a commercial bank is to mobilise deposits from the public. People who have surplus income and savings, find it convenient to deposit the amounts with banks in different types of deposit accounts which are as follows:

Types of Deposits

1. **Fixed Deposits:** A fixed amount is deposited for a fixed period and it is called fixed deposit account. It is also known as term deposit. The fixed period of time may be from 30 days to 5 years and above. The rate of interest on this account is the highest because the amount accepted is invested elsewhere for a long term by the bank. The depositor is given a fixed deposit receipt. If the depositor is in need of cash before the date of maturity, he can get a loan against the deposit.
2. **Savings Account:** This account, as the name suggests, is meant for promotion of savings. Persons having fixed and regular income can deposit their savings in this account. A savings account holder is not permitted to have frequent withdrawals from this account as it is meant for saving. The interest on this account is credited to the account once in every six months.
3. **Current Account:** In this account, a depositor can deposit money any number of time and can withdraw it as and when he requires it. In this account, generally business class deposits the money. Generally the bank does not pay any interest on this deposit. If the total amount deposited is less than the minimum amount required, then the bank can charge some service charges. Money is withdrawn from this account by cheque. A current Account holder enjoys overdraft facility.
4. **Recurring Deposit Account:** In this type of account, a depositor deposits a fixed amount of money every month for a fixed period. The money is

deposited on monthly basis. This money cannot be withdrawn before the expiry of a fixed term except in certain conditions. The amount of interest which is received on the money deposited in this account is re-deposited along with the principle. This account attracts higher interest in comparison to other accounts except Fixed Deposit Account.

5. **Multiple Option Deposit Account:** It is a type of Saving Bank Account in which deposits in excess of a particular limit gets automatically transferred into Fixed Deposit. On the other hand, in case adequate fund is not available in our Saving Bank Account so as to honour a cheque that we have issued, the required amount gets automatically transferred from Fixed Deposit to the Saving Bank Account. The balance amount continues as Fixed Deposit and earns interest as per existing rate of interest. One can earn higher rate of interest from a Fixed Deposit Account than from a Saving Bank Account.

**B. Granting Loans and Advances:**

A banker receives money through its deposits at lower rates. Out of these deposits Commercial bank grants loans and advances to the members of the public and to the business community at a higher rate of interest.

- i. **Loans:** A loan is granted for a specific time period. The loans are particularly granted to businessmen and members of the public against personal security, gold and silver and other movable and immovable assets. Generally commercial banks grant short term loans. But term loan i.e. loans for more than a year may also be granted. The borrower may withdraw the entire amount in lump sum or in installments. However, interest is charged on the amount withdrawn or used.
- ii. **Advances:** An advance is a credit facility provided by the bank to its customers. It differs from loan in the sense that loans may be granted for longer period, but advances are normally given for a short period of time. The purpose of granting advances is to meet day-to-day requirement of a business. Interest is charged only on the amount withdrawn and not on the sanctioned amount.

Types of Advances:

- a. **Cash Credit:** Under Cash Credit system, bank allows the borrower to draw amount upto a specific limit. A limit of certain amount is sanctioned to the customer. The customer can withdraw this amount as and when required. Interest is charged on the amount actually withdrawn.
- b. **Overdraft:** Overdraft is a credit facility granted by bank to current account holders. A current account holder is allowed to withdraw more than amount of credit balance in his account. It is a temporary arrangement. Overdraft facility with a specific limit may be allowed either on the security of assets or on personal security or both. Bank charges interest on this facility. A current account shows a debit balance where there is an overdraft.
- c. **Discounting of Bills:** A Bill of Exchange is a negotiable instrument. Banks provide short term finance by discounting bills i.e. making

payment of the amount before the due date of the bills after deducting certain amount of discount. The party gets the funds without waiting for the date of maturity of the bills. In case the bills is dishonoured on the due date, the bank can recover the amount from the customer.

2. **Secondary functions:** In addition to the primary functions of accepting deposits and granting loans and advances, banks perform a number of other functions which are called secondary functions. They are the following two types:

**A) Agency Functions**

Agency functions include the following:

- i. **Collection of Cheques, Dividends and Interests:** As an agent the bank collects cheques, drafts, promissory notes, interests, dividend, etc. on behalf of its customers and credit the amount to their accounts.  
Customers may furnish their bank details to companies where investment is made in shares, debentures, etc. So that the companies can directly send the warrants/cheques to the bank for credit to customer's account.
- ii. **Payment of rent, insurance premiums, etc.:** The bank makes the payment such as rent, insurance premiums, subscriptions, etc. on standing instructions until further notice. Till the order is revoked the bank will continue to make such payments regularly by debiting the customer's account. ECS means electronic clearing system under which one time instruction is given to the bank for debiting/crediting the account.
- iii. **Dealing in foreign exchange:** As an agent, the commercial bank purchases and sells foreign exchange for customers as per RBI Exchange Control Regulations.
- iv. **Purchase and Sales of Securities:** Commercial banks undertake the purchase and sale of different securities such as shares, debentures, bonds, etc. on behalf of their customer. They run a separate 'Portfolio Management Scheme' for their big customers.
- v. **Act as trustee, executor of will, attorney, etc.:** The bank acts as executives of will, trustees and attorneys. It is safe to appoint a bank as a trustee than to appoint an individual. Acting as attorneys of their customers, they receive payments and sign transfer deeds for the properties of the customers.
- vi. **Act as Correspondent:** The commercial banks act as a correspondent of their customers. Small banks even get travel tickets, book vehicles, receive letters, etc. on behalf of their customers.
- vii. **Preparation of Income Tax Returns:** They prepare income tax returns and provide advises on tax matters for their customers. For this purpose, they employ tax experts and make services available to their customers.

- viii. **Bank Drafts:** A Bank Draft is a financial instrument with the help of which money can be remitted from one place to another. Anyone can obtain a bank draft after depositing the amount in the bank. The bank charges commission for issuing a bank draft. For bank draft, funds are withdrawn directly from a bank's fund and not from an individual account. It is less risky for a creditor.
- ix. **Underwriting of shares:** Underwriting services include guarantee by the bank to the company. In case the company shares are not sold, the bank will take the responsibility of the unsold shares. Bank charges commission for this service.
- x. **Demat Account:** Demat account facility has been introduced by commercial banks to facilitate the customers who are shareholders.
  - a. To keep a record of their shareholding in electronic form.
  - b. To facilitate buying and selling of shares in the share market.  
A statement of holding is issued to the account holder periodically for their information and records.

## **B) Utility Functions:**

Utility functions of Banks include the following:

- i. **Safe Deposit vault/lockers:** Safety of valuables like jewels, documents, etc. is provided by commercial banks by way of safe deposit vaults or lockers. 'Lockers' are small receptacles (cabinets) which are fitted in steel racks and kept inside 'strong rooms' known as vaults. These lockers are available in half yearly or annual rental basis.
- ii. **Traveller's Cheques:** Traveller's Cheques are used by domestic travellers as well as by international travellers. Bank issues travellers cheques to help carry money safely while travelling within India or abroad. Thus, the customers can travel without fear, theft or loss of money. Travellers cheques are more commonly used by international travellers so as to make their travel more safe and convenient.
- iii. **Letter of Credit (L/C):** Letter of Credit is a payment document provided by the buyer's banker in favour of the seller. This document guarantees payment to the seller upon presentation of documents mentioned in the Letter of credit evidencing dispatch of goods to the buyer. The Letter of Credit is an important method of payment in international trade. There are four parties to a Letter of Credit.
  - a. The buyer or the importer also known as Applicant.
  - b. The bank which issues the letter of Credit known as opening bank.
  - c. The seller in whose favour the Letter of Credit is issued also known as Beneficiary.
  - d. The credit receiving bank.
- iv. **Provides Trade Information:** The commercial banks collect information on business and financial conditions etc for their customers which helps them to plan their strategy. Trade information service is very useful for those customers going for business with companies outside the country. It



will help traders to know the exact business conditions, payment rules and buyer's financial status in other countries.

- v. **Gift Cheques:** The commercial banks offer Gift cheque facilities to the general public. These cheques receive a wider acceptance in India. Under this system by paying equivalent amount one can buy gift cheque for presentation on occasions like wedding, Birthday, etc.