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SUGGESTED SOLUTION

SYJC

SUBJECT- OC

Test Code – SYJ 6120 A

BRANCH - () (Date :)

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ANSWER : 1**(A)****(5 MARKS)**

1. 1932
2. Net Banking
3. Government
4. 4
5. Mental revolution

(B)**(5 MARKS)**

- 1 – Local market
- 2 – Central Bank
- 3 – Hyper Text Transfer Protocol
- 4 – An NGO working for consumers
- 5 – Intellectual Process

(C)**(5 MARKS)**

1. Bye – Laws
2. Water Transport
3. Business
4. Principles of management
5. Staffing

ANSWER : 2**1. Private limited Company & Public Limited Company****(5 MARKS)**

No.	Point of Distinction	Private Company	Public Company
1.	Definition	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.
2.	Number of Directors	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.
3.	Transfer of share	Shares in Private Company are not transferable.	Public company can invite public for issuing its shares and debentures.
4.	Number of Members	The minimum number of members are 2 are maximum 50	The minimum number of members are 7 and there is no maximum limit of members.
5.	Name	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.
6.	Issue of Prospectus	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 to the registrar.
7.	Minimum Capital	Minimum paid – up capital is one lakh rupees.	Minimum paid up capital is five lakh rupees.

2. Directing & Coordination**(5 MARKS)**

No.	Point of Distinction	Directing	Co – ordinating
1.	Meaning	Directing is a process to instruct, guide, communicate, inspire and motivate	Co – ordinating is a process to establish harmony and integration of

		employees to achieve organizational objectives.	different activities to achieve the desired objectives.
2.	Objectives	The main objective of giving direction to the subordinates is to get the things done in the right manner.	The main objective is to ensure unity of efforts of the employees and smooth functioning of the organization.
3.	Area of Function	It includes Guiding Instructing Inspiring Motivating Communicating	It includes Top Level Management Middle Level Management Lower level Management.
4.	Factors	Directing is also concerned directly with Internal (human) factors.	It is concerned with Internal factor.
5.	Order	Direction is always needed. It follows organizing and staffing.	It is an important element of organizing. It follows Planning.
6.	Resources	It gives direction to the employees and regarding use of other resources.	If is related with Human Resources. It is an integrated effort.
7.	Targets	Proper direction to the employees is needed to achieve the targets.	Internal Co – ordination among employees is must to achieve the desired results.
8.	Nature	It is a continuous process as directing is needed till the targets are achieved.	It is a process where only people are concerned so continuity is needed.
9.	Levels of Management	Middle level manager provides direction to the employees for achieving targets.	All the levels i.e. top to middle to the lower co – ordination is required to achieve targets.

3. State commission & National commission

(5 MARKS)

No.	Point of Distinction	State commission	National commission
1.	Meaning	A consumer dispute redressal forum working at state level.	A consumer dispute redressal forum working at national level
2.	Monetary Jurisdiction	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	It can entertain the cases where the value of goods/ services and the compensation claimed is more than rupees one crore.
3.	Duration	Every member should hold office for a term of five years or up to the age of sixty – seven years, whichever is earlier.	Every member should hold office for a term of five years or up to the age of seventy years, whichever is earlier.
4.	Nature of Complaints	It can entertain original cases and also appeals against the order of District Forum within the geographical limits of the state	It can entertain original cases and also appeals against the order of State Commission.
5.	Members	Other than president it has minimum two members.	Other than president it has minimum four members
6.	Area Covered	It covers a particular state	It covers the entire country.
7.	President	High Court Judge or equivalent	Supreme Court Judge or equivalent.

4. Current Account & Savings Account

(5 MARKS)

No.	Point of Distinction	Current Account	Savings Account
1.	Meaning	It is that account which is maintained by business man 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.
2.	Withdrawals	Customers can withdraw money by cheques.	Customers can withdraw either by cheques or by withdrawal slips.

3.	Facilities	The bank gives a passbook, cheque book, statement 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.
4.	Who takes it	It is suitable for traders, businessmen, firms or institutions.	It is suitable for fixed income group, wage or salary earners.
5.	Constraintson operation and withdrawals	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.
6.	Rate of Interest	Normally, interest is not given.	Interest rate is low.
7.	Nature of Account	It is continuous nature.	It is of continuous nature
8.	Facilities	Temporary overdraft facility is given.	No overdraft facility is given.

5. Joint Hindu Family Business & Proprietorship

(5 MARKS)

No.	Point of Distinction	Joint Hindu Family Business	Proprietorship
1.	Meaning	It is a form of commercial organization. The ancestral business is conducted by the family members of a joint Hindu Family.	It is a form of commercial organization which is owned and managed by a single person.
2.	Membership	There is no maximum limit on membership.	There can not be more than one owner.
3.	Ownership	All the family members are joint owners of business properties.	The business assets and properties are owned by the proprietors.
4.	Liability	Karta's liability is unlimited. Co – parcener's liability is limited.	The liability of sole trader is unlimited.
5.	Financial Resources	The funds are more than that of a proprietor.	The financial resources are available.
6.	Stability	It is comparatively more stable since after the death of Karta, the next senior family member takes over as Karta and continues business activities.	It lacks stability since the existence of sole trading concern depends upon the survival of the sole trader.
7.	Profit and losses	The profit and losses are shared by all the co – parceners.	All the profit of the concerned belong to the sole trader and all losses are to be borne by him.

ANSWER : 3

(1) Duties of consumers

(5 MARKS)

A responsible consumer is the one who takes active part in consumer protection. While exercising the rights described above a consumer is expected to shoulder responsibilities and take an active role in consumer movement. Responsibilities of consumers are as under :

- 1. Critical Awareness :** It is the responsibility of the consumer to be alert and question about the price and quality of the goods and services he buys and uses. Consumer should look, listen and ask questions. He should assess the value for money, value for people and the value for environment.
- 2. Action :** It is the Consumer's responsibility to be assertive and act to ensure that he gets a fair deal. As long as he remains as a passive Consumer he will continue to be exploited.

When something is wrong, one should act to put it right. One should value relationship with others in the community. The Consumer needs to ensure that he does not compromise his culture and customs to get a fair deal.

3. **Social Concern** : It is the responsibility of a consumer to be aware of the impact of his use of goods and services on the citizens, especially disadvantage and powerless groups whether in the local, regional or international community. He needs to make sure that the products and services he uses are not produced in an environment that harms others.
4. **Environmental Concern** : The consumer should understand environmental and other consequences of his consumption. He should recognize his individual and collective responsibility to conserve natural resources and protect the earth for future generations. He needs to make sure that the production, use and disposal of goods and services do not harm the environment.
5. **Sustainable Consumption** : The consumer, before buying goods or before availing services should satisfy himself about the need for the same and also should consume only up to his requirement and should not let goods or services go waste.
6. **Working Together** : A consumer should shoulder the responsibility to promote and protect the interest of consumers. One should organize consumers and make them work together for the welfare of all consumers at large.

A consumer should take care

1. Before buying

- Planning in advance
- Enquiring about past performance of product/ service
- Enquiring about past performance of product / seller/ service provider

2. While Buying

- Asking for demonstration regarding how to operate/ use the product / service.
- Enquiring about after – sales service and ensuring availability, phone number, address and e – mail of service centre.
- Reading and knowing the contents of guarantee / warranty card.
- Insisting on approved sale bill with serial number, address, phone number, etc.
- Obtaining guarantee/ warranty card and getting it signed/ sealed by the dealer.

3. After Buying

- Using products as per instructions given in user manual.
- Keeping bills and guarantee card safely.
- In case of fault inform dealer and service centre. Do not meddle or try to repair it on your own.
- Seek immediate redressal of deficiency in product.

(2) Advantages of E – Business:

(5 MARKS)

1. It is easy to set up e – business as compared to traditional business.
2. E – business does not require physical space. It requires highly qualified technical professionals.
3. Communication is easy as there is no face – to face interaction. This results in easy approach.
4. Cost of setting up e – business is comparatively low as compared to traditional business.
5. There is a direct communication between suppliers and consumers.
6. Relationship building is very strong in e – business.

7. The World Wide Web (internet) offers a lot of exposure to business on a global platform e – business.
8. There is a lot of support from the government for e – business.

(3) Types of Partners:

(5 MARKS)

When a person who deals with the firm, must know the partners of the firm and to what extent each partner is liable. Some partners in a partnership take active part in firm and they are also directly related with the firm. They invest money in the firm and have a share in its profits and loss. Some partners who do not have full interest in the partnership firm. It is compulsory to make investment in the business, so they don't get any share in the profit. Following are the types of partners.

1. **Active partners/ Actual Partners :** The partners who take active participation in the day to day work of the firm or take active part in the conduct of the business are called Active Partners. They contribute money in the firm and have a share in its profit or loss. These partners act as agent of the firm and they have unlimited liabilities. Active partners must give public notice of their retirement. These partners are also known as Ordinary or General partners.
2. **Sleeping or Dormant Partners :** Sleeping or Dormant partners are those who do not take active part in the conduct of business. They have invested money in the business and have share in profit and loss. They do not give public notice of their retirement. They have unlimited liability.
3. **Nominal Partners :** They lend their names to the firm without having any real interest in the firm. They neither contribute to the capital nor share the profits or take part in the conduct of the business of the firm. The firm make them partners to join form, to use personal goodwill. So they have no direct attachment with the firm and not answerable to any other party.
4. **Minor Partner :** According to the Indian Contract Act, 1872, a person below 18 years is called minor. But according to the provisions in the Indian partnership Act, 1932, a minor can be a partner in the profit of the firm if all of the other partners give their consent. Minor has limited liability and is not liable for losses.
5. **Partners in Profits only :** He can share the profits of the firm. But his liability is unlimited like other partners. He must give public notice of his retirement. Such partners have no right to take part in the daily work.
6. **Limited Partners :** A person whose liability of the firm is limited to the extent of his investment is called limited partner. He has no right to take part in day to day work. But such a partnership must have at least one partner having unlimited liability.
7. **Partner by Holding out :** A person who is not a partner in the firm but he represents himself to be a partner by word spoken or written or by his conduct is called a partner by holding out. If the other person acting on the faith of such representation and have given loan to the firm, then he will be liable to discharge debts in the same manner as other partners will be.
8. **Secret Partner :** When the relation of the partner with the firm is unknown to the general public is known a secret partner. Secret partners have all the features like other partners. His liability is unlimited and he has to invest capital into firm and also get the shares in profit. He also takes part in daily working or management.

(4) Social Responsibility towards consumers

(5 MARKS)

Ultimate goal of business must be satisfaction of consumer's wants. The consumer is the king of market but in reality experience is different. Exploitation of consumer is very common due to lack of information and many other reasons. However, existence of business is dependent

on consumers only. To protect their interest, business should perform following responsibilities.

1. **Good Quality Products** : A business enterprise should provide higher quality of goods and service. Every organization should have its quality control department so that inferior and substandard products can be rejected. International Standard Organization, ISO is the latest trend towards quality control. Good quality can be maintained by using high quality materials and spare parts and high standards of techniques of production. This ensures customers about quality product.
2. **Consumer Safety** : While manufacturing the products, health and safety of consumers should be the prime factor. Unsafe products should not be marketed. Consumer should be warned of any unsafe good. Some rival organizations may introduce imitation articles of inferior quality, in such circumstances the producer of genuine product must alert consumer.
3. **Charging Fair Prices** : The products and services should be available to consumers at fair prices. They should not be cheated by changing unreasonable prices. Such practice will spoil the image of organization in long run. All efforts should be made to charge fair prices. This is moral and social responsibility of business. Maximum Retail Price (M.R.P.) Inclusive All taxes should be printed on every packed product. Retailer should not charge any extra amount.
4. **Services Regarding Products:** Organization should consider following services to customers about the goods or products :
 - Regular supply of goods at the right price and right place.
 - Provide sufficient quantity and quality of goods as per demands.
 - A large variety of products should be provided to consumers.
 - The goods must meet the needs of consumers of different classes, taste, purchasing power etc.
 - Quick and efficient after sales services should be provided especially in case of consumer durable products.
 - Free repair and maintenance as well as guidance about how to use product should be available.
5. **Research and Development** : The organization should adopt new methods and techniques of production and distribution. They should conduct research and development to improve the quality of goods and to reduce cost of production. It will minimize final prices charged to customers.
6. **Accurate Information** : Accurate information of product should be provided to consumers through advertising, packing and labeling. Such information includes contents of products, their uses, ways of maintaining products, side effects, date of manufacturing and expiry, MRP, etc. This is necessary when product is new or some technical knowledge is required for proper use of product. Printed leaflet may be provided to take proper precautions. This will avoid possibility of improper use of product or injury or damage.
7. **Customer Service Cell** : An organization must attend all complaints of customers without any delay. Quick and effective service regarding grievance should be provided. Suggestions of customers should be welcomed and required modifications should be considered.
8. **Advertising Ethics** : Advertisement of products should convey facts of products, its uses merits, demerits etc. False, misleading and vulgar advertisement should be avoided. Only honest advertising can be appreciated by consumers in the long run.

9. Avoid consumer Exploitation : Business should avoid unfair trade practices which lead to exploitation of consumers. They should not take undue advantage of certain situations and create artificial scarcity of goods.

10. Miscellaneous :

- Supplying goods in pure form.
- Supplying of spare parts.
- Fulfilling guarantees and warranties.
- To honour the rights of consumers under consumer protection act 1986.
- To give descent, fair and just treatment to consumer.
- To help consumers welfare by assisting government and consumer's association.
- Avoid monopolistic competition.
- Provide consumer oriented production.

(5) Principles of Insurance.

(5 MARKS)

Insurance is a contract between two parties. Hence, all the elements of a valid contract should be present in every insurance contract. Besides these elements, there are certain other principles also to be followed essentially at the time of entering into an insurance contract, which are as follows :

1. Principle of Utmost Good Faith (Uberrimae Fidei) : All types of insurance contracts require utmost good faith towards each other. The insurer and the insured must also disclose all material facts, clearly, correctly and completely.

If the insurer finds that certain material fact relating to the contract was not disclosed the insurer may avoid the contract, this principle is more important for life Insurance as the information disclosed will affect the decision of the Insurance Company to decide whether to accept or reject the proposal. e.g. Mr. A takes Insurance Policy for Rs. 10 Lakhs for himself. He had not disclosed his medical illness (heart problem) in the contract. Mr. A died with a heart attack after 2 years of taking the policy. The insurance company comes to know about Mr. A's illness only after his death. Under these circumstances, Insurance company is not liable to pay any amount to the dependents of Mr. A, as the contract between Mr. A and insurance company is void. Mr. A did not follow the principle of utmost good faith. Hence, the insurance company can cancel the contract.

2. Principle of Insurable Interest : The insured must have insurable interest (financially) in the subject matter of insurance. In Life Insurance it refers to the life insured. In Fire and General Insurance, it must be present at the time of occurrence of loss and in Marine Insurance, the insurable interest exists only at the time of the occurrence of the loss. The owner of the contract is said to have insurable interest as long as he is the owner. It is applicable to all contracts of insurance. Following are the cases of insurable interest.

- a. A person has insurable interest in his own life and his property.
- b. A wife has insurable interest in the life of her husband.
- c. A businessman has insurable interest in the goods he deals with in the business property.
- d. A creditor has insurable interest in the life of the debtors to the extent of loan given.
- e. A partner has insurable interest in the life of other partners (partnership firm).

The subject matter of insurance must be a physical object and must be subject to risk. Absence of insurable interest will make the contract of insurance invalid. Insurable interest must be present at the time of taking the policy and at the time of making the claim. E.g. Owner of the house has insurable interest in his house, therefore, he insures the house.

- 3. Principle of Indemnity :** Indemnity means a guarantee or assurance to put the insured in the same position in which he was immediately prior to the happening of the uncertain event. The insurer undertakes to make payment of actual loss incurred by the insured.

Insurance contract is signed only for getting protection against unpredicted financial losses arising due to the future uncertainties. Insurance contract is not made for making profit out of the future uncertainties. Compensation is paid in proportion to the losses incurred. The amount of compensation is limited to the amount assured or the actual loss, whichever is less. It is applicable to fire, marine and general Insurance. However, in case of life insurance, the principle of indemnity does not apply because the value of human being cannot be assessed in monetary terms. E.g. If a person has insured his property for Rs. 3 lakhs and it is destroyed by fire and actual loss is worth Rs. 2 lakhs then he will be paid the actual loss of Rs. 2 Lakhs.

- 4. Principle of Contribution :** This principle is a corollary to the principle of indemnity. It is applicable to all contracts of indemnity. Under this principle the insured can claim the compensation only to the extent of actual loss either from any one insurer or all the insurers. If one insurer pays full compensation then that insurer can claim proportionate claim from the other insurers. E.g. (i) Mr. Raj insured his house worth Rs. 60 lakhs with three insurance companies. A. Co. Ltd. Rs. 10 lakhs, B Co. Ltd. – Rs. 20 lakhs and C. Co. Ltd. – Rs. 30 lakhs. At the time of loss incurred, the compensation will be paid by the insurance companies in the ratio of 1 : 2 : 3 (ii). Mr. S Insures his property worth Rs. 1 lakh with 2 insurers, with A. Co Ltd. for Rs. 90,000 and with B Co. Ltd. for Rs. 60,000. Mr. S actual property destroyed is worth Rs. 60,000, then Mr. S can claim the full loss of Rs. 60,000 either from A. Co. Ltd. or B. Co. Ltd. Or he can claim Rs. 36,000 from A. Co. Ltd. and Rs. 24,000 from B. Co. Ltd. in the Ratio of 3 : 2.

- 5. Principle of Subrogation :** According to principle of Subrogation, after the insured is compensated for the loss due to damage to property insured then the right of ownership of such property passes on to the insurer. This principle is corollary of the principle of indemnity and is applicable to all contracts of indemnity. This principle is applicable only when the damaged property has any value after the event causing the damage. The insurer can benefit out of subrogation rights only to the extent of the amount he has paid to the insured as compensation. E.g. (i) A person has insured his furniture for Rs. 50,000 against fire and a part of the furniture was destroyed by the fire and the actual loss was Rs. 35,000. Applying this principle, a compensation of Rs. 50,000 will be paid by the insurer and he will take charge of the remaining furniture. (ii) Mr. A insures his house for Rs. 1Crore. The house is totally destroyed by the negligence of his neighbor Mr. B The insurance company shall settle the claim of Mr. A for Rs. 1 Crore. At the same time, it can file a lawsuit against Mr. B for Rs. 1.2 Crores, the market value of the house. If Insurance Company wins the case and collects Rs. 1.2 Crores from Mr. B then the insurance company can retain Rs. 1 Crore (which it has already paid to Mr. A) plus other expenses such as court fees, etc. The balance amount, if any, will be given to Mr. A the insured.

- 6. Principle of Mitigation of Loss :** Under this principle insured must always try his level best to minimize the loss of his insured property, in case of uncertain events like fire outbreak, blast etc. The insured must take all possible measures and necessary steps to control and reduce the losses. The insured must not neglect and behave irresponsible during such events just because the property is insured. Hence, it is responsibility of the insured to protect his insured property and avoid further losses. E.g. Mr. A's house is on fire due to an electric short circuit. In this tragic incident, Mr. A must try his level best to stop the fire by all possible means like calling fire brigade, use fire extinguishers (if available), etc. he must not remain inactive and watch his house burn, only because it is insured.

7. Principle of Causa _ Proxima (Nearest Cause) : Principle of Causa – Proxima means when a loss is caused by more than one causes, the proximate (nearest) cause should be taken into consideration to decide the liability of the insurer. The property may be insured against some causes and not against all causes, in such an instance, the proximate cause of loss is to be found. If the proximate cause is the one which is insured against, the insurance company is bound to pay the compensation and vice versa. E.g. A ship was insured against losses resulting from collision. There was a collision and the ship was delayed for a few days. Due to the delay, a cargo of Mangoes in the ship became rotten and unfit for consumption. Now, there are two causes of loss, collision and delay, but the nearest / proximate cause for rotten mangoes was delay. As the ship was insured against collision and not delay, the insured will not get any compensation from insurance company.

ANSWER : 4

1. Cash can be withdrawn from ATM at any time.

(5 MARKS)

This statement is **True**.

Reasons:

- (1) ATM is the abbreviation of Automated Teller Machine. It is popularly known as All Time Money or Any Time Money or any where banking. ATM is an electronic cash dispensing machine. It is free standing self – service terminal. There is no specific time limit for withdrawals of cash from ATM.
- (2) ATM is one of important facilities provided by the bank to its accountholders. To avail of this facility, bank installs ATM terminals at the places of public utility such as railway stations, shopping malls, airports, post offices, busy streets, etc.
- (3) For withdrawal of cash from ATM, every accountholder is given specific code number. By operating this system, the accountholder can withdraw the cash up to a specific limit of the quantum of amount available in the account which ever is less. ATM also provides other information like bank deposits, withdrawals, balance in the account, etc.
- (4) Under this system, the accountholder has cent per cent liquidity of banking funds. ATM avails twenty four hours service. Hence, the account – holder can withdraw cash any time, i.e. even after banking hours, on holidays, Sundays or in the case of emergency by operating ATM. This facility is available in different parts of the country as well as outside the country.

2. It is easy to Set up e – business as compared to traditional business.

(5 MARKS)

This Statement is **True**.

Reasons :

- (1) E – business is run, managed and carried out with the help of information and communication technology i.e. web (internet). However, traditional business is run, managed and carried out in accordance with specific old custom or a trading practice of long lasting.
- (2) In traditional business large, physical space is needed to arrange and display the latest variety of goods. It needs large amount of capital to have infrastructure and other required facilities. e – business can be started, managed and operated with the help of the internet from any place wherever it is possible or even from ones own home. Naturally, it requires very less capital. It is also easy to set up.
- (3) In traditional business time is required to travel, to convince, to negotiate and to interact. In such process lot of time, energy and money are wasted. While in e – business required information is provided and accepted with terms and conditions more instantly.

(4) E – business is also free from most of the problems are faced by the traditional business. In view of the above discussed reasons, it is easy to set up e – business.

3. Business ethics is not applicable to all business organizations. (5 MARKS)

This statement is **False**.

Business ethics is applicable to all business organizations.

Reasons :

- (1) Standard of living refers to the level of economic welfare, utility or real income of an individual or a family. It also refers to the level of material well – being of an individual or household. It is usually determined by the quantities of goods and services (including leisure) consumed by an individual or a family.
- (2) Business organizations can contribute to increase standard of living of the society. Business organizations contribute financially and other possible ways in construction and maintenance of roads, railways, waterways and airways, creating public gardens and public libraries, and running charitable hospitals, etc.
- (3) Business organizations can also take initiative to discontinue certain bad traditions like child marriages, superstitions, etc. in society by advertising such activities that can change the out – look of the society.
- (4) Economically poor people need financial and medical help from the business units. In order to raise standard of living of economically poor masses, the business organisations should support and uplift such section of the society. Business organisations are expected to provide medical facilities to poor people and also to give donations to those institutions which are providing such facilities.

4. In India Consumer Protection Act is not required. (5 MARKS)

This statement is False. Consumer Protection Act is required in India.

Reasons :

- (1) In India, particularly, the consumers by and large are illiterate, unorganized and indifferent.

In India, almost all markets are seller dominant. Buyers are ignorant about the market mechanism, customs and practices of the traders and the relationship between the prices they pay and the satisfaction they get.
- (2) In India, consumers are unorganized and most of them are not aware of their basic rights as the consumers. Consequently, they are exploited by the sellers through the supply of inferior or adulterated products, higher prices, cheating in weights and measures, misleading advertisements, etc. Hence to protect consumers' interest Consumer Protection Act is required in India.
- (3) India Government has passed may Acts such as Prevention of Food Adulteration Act 1954, Essential Commodities Act 1955, Drug Control Act 1950, etc. to restrict unfair trade practices and to protect the interest of consumers. However, these Acts could not safeguard and protect the interest of consumers in real sense. Hence, the Consumer Protection Act was passed in India in 1986 under which a consumer can file a suit against any manufacturer or seller in case of loss due to the use of any product or service.
- (4) The Consumer Protection Act provides three tier quasi – judicial consumer disputes redressal machinery at district, state and national level for giving justice to consumers' complaints and grievances. This Act provides simple, speedy and cheaper remedy for the problems of consumers. The orders given by these courts are binding on both the parties.

5. Principles of management are rigid.

(5 MARKS)

This statement is **False**.

Principles of management are flexible.

Reasons :

- (1) Principles of management are the statements of fundamental truth which act as guidelines for managerial decision – making and action. They establish cause and effect relationship. They are evolved through observation, analysis and experiments.
- (2) Principles of management although fundamental, are not rigid statement. They are flexible in nature in the sense they can be changed or modified according to the situation and requirements of the organization. Managers can bend these principles to suit the requirements of the organizations.
- (3) Principles of management are flexible guidelines providing ample scope for making changes according to the nature of enterprise, its size, competitive situation, etc. For instance, in the context of present business scenario, the ‘family management’.
- (4) Modern business world is dynamic. The situation in a business enterprise keep on changing continuously. No two circumstances are identical. Principles of management can be changed, adjusted or modified and used in the enterprise as per its changing needs and requirements, By identifying problems of business permanent changes will be accepted.

ANSWER : 5

1. **ANS.:**

(5 MARKS)

- (1) **Money Order** : A money order is an order issued by the post office for the payment of a sum of money to the person to whom it is sent through the post office. A ‘payee’ is the person named in money order as person to whom the money is to be paid. The advantage of sending money to someone through money order is that the money is delivered at the house of the receiver.
- (2) **Instant Money Order** : Indian post presents Instant Money Order (IMO) the instant on – line money transfer service which is convenient, reliable and affordable. IMO is an instant web based money transfer service through which one can transfer money from Rs. 10,000 to Rs. 50,000 from designated IMO post offices. It is simple to send and receive money.
- (3) **International Money Transfer** : Money transfer service scheme is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. Only inward personal remittances into India are permissible. No outward remittance from India is permitted. Money transfer is now available through post offices in India, which helps in instant remittance of money from around 195 countries to India. The receiver can collect the money within minutes after the sender has made the remittance. This service is helpful to NRI dependent families in India, visiting International tourists and foreign students studying in India.
- (4) **Money Gram** : The department of Post has entered into an International Co – operation Agreement with Money Gram payment system, Inc., USA to offer to the general public, the Money Gram International Money Transfer service through selected post offices in India. This service has started from 29th September, 2011.

(5) Money Order Videsh : Money Order Videsh is a new offering of Indian post to facilitate remittances to foreign countries and receiving the remittances from foreign countries through the medium of post office. This service was started from 24th October, 2009. These services are offered through head post offices.

(6) Electronic International Money Order Services : International Money remittance between people of India and the UAE became easier after India Post and Emirates Post, UAE signed an agreement to launch Electronic International Money Orders through postal network using secure International Financial System (IFS) of the UPU(Universal Postal Union) from February, 2008.

(7) Foreign Exchange Services : Many Indians go abroad for travel, studies and business and also large number of foreign tourists visit India on vacation and business. The need arose for a reliable and quality service provider for purchase and sale of foreign exchange. At many places, there is no bank or facilities to avail foreign exchange. India Post with a network of more than 1.5 lakh post offices is best to offer forex services in an efficient and economical manner. Now Indian post in association with HDFC Bank, provides Forex services through selected Post Offices in India.

2.

ANS.:

(5 MARKS)

The following are the main features of the Sole Trading Concern.

- 1. Minimum Government Regulations :** There are minimum government regulations on the activities of a sole trader. Proprietary concerns are not governed by any separate law and are easy to form, because no rigid legal formality has to be followed for either forming, running or closing down the organization. Only the tax laws and labour laws have to be followed.
- 2. Unlimited Liability :** The liability of a proprietor is unlimited. The liability of the Sole Trader can be more than the capital invested by him. Unlimited liability means, there is no distinction between his personal and private property and the property of the business. In the case of heavy loss and if it is not possible to make the payment with the help of the assets of the business, then the personal assets of the proprietor can be attached for paying or setting that liability.
- 3. Freedom in Selection of Business :** A sole Trader can select any business as per his desire. There is no restriction on the type of business, which may be conducted by a proprietary concern. Any legal business can be conducted by the concern. Any method of keeping books of accounts may be followed by him. Generally Sole Traders in India adopt the Single Entry system of book – keeping.
- 4. Secrecy :** Secrecy plays the most important role in the sole trading concern. The information about all the important matters concerning the business rests only with the owner and no outside party can take any undue advantage out of it. The proprietor can ensure maximum business secrecy.
- 5. Single Ownership & Management :** Sole Trader is the sole owner of all the assets and resources of business. There is no other person who shares in the profit or loss of the sole trading concern. He is the owner & Manager of his business.

6. **Direct contacts with customers and Employees :** Since a proprietor usually deals directly with his customers and employees, he can maintain good relations with his employees and provide personal attention to his customers.
7. **Suitable for some special Business :** There are some special business and trades which require individual attention and service and can only be started as a sole trade for example, Beauty Parlour, Cake shop and Agricultural products.
8. **No sharing of profits and risks :** A proprietor gets all the profits of the business concern and assumes all the losses and risks involved in business. There is nobody to share in his profits or losses.

3.

ANS.:

(5 MARKS)

The following points emphasize the important of consumer protection :

1. **Seller dominant market :** If the market is dominated by sellers then the consumer's choice as well as his welfare gets the last preference. All the transactions are finalized in favour of sellers, middlemen and manufacturers. e.g. if there is shortage of goods then the buyer will have to buy a product at the price quoted by the seller.
2. **Ignorance of consumers :** Ignorance of consumers about their rights, market conditions, price levels, product details, etc. result into consumer exploitation, Many times consumers do not even realize that they are being cheated. E.g. a shopkeeper may sell a product which is actually received by him as free sample, free gifts offered by company may not reach upto the consumer.
3. **Tendency of the consumers :** Majority of the consumers get attracted towards the products of cheap prices, discounts, various schemes, etc. This weakness of the consumers leads to their exploitation without their knowledge.
4. **Unorganized Consumers :** Consumers are neither organized nor united. Compared to them the producers and sellers are in a superior position. An individual consumer cannot fight against powerful traders. Thus, it is easy to exploit unorganized and widely spread consumers.
5. **Nature of Products :** Now a days modern products are the end results of complicated production processes. It is beyond the capacity of poor and illiterate consumers to judge the quality of safety aspects of a product. Moreover these consumers / customers cannot take legal help even though they realize that they are being cheated because they do not understand production process thoroughly.
6. **Lack of information:** Today's consumer lives in a complex world. Distance between producer and consumer is vast. It is impossible to establish direct contact between producer and consumer. After globalization and liberalization policy of the government, the market is full of domestic as well as imported products. But it is difficult for the consumer to get reliable information about the product before it is purchased. He relies on commercials of the product or on trial and error method. In both the cases changes of consumer exploitation are high.

7. **Lack of participation of consumers** : It is observed that certain decisions, which directly affect consumer's interest are taken without any consultation with consumers or their organizations. E.g. Charges of daily necessities such as public transport, cooking gas, telephone, electricity, etc. Only a strong consumer movement can pressurize various organizations to allow consumer participation in the decision making process.
8. **Increase in consumption rate** : Compared to earlier period, consumption rate is increased due to increase in population as well as tendency of the people to lead a comfortable life. It results into mass production, many varieties, increased prices, unfair trade practices, etc. Such a situation in the market confuses the consumers and they fall prey to exploitation.
9. **To restrict unfair trader practices** : When more and more consumers start taking support of Consumer Protection Act (1986) to resolve their grievances then it will automatically pressurize the manufacturers, middlemen and traders for not conducting the trade by unfair means.

4.

ANS.:

(5 MARKS)

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 :
 - (i) To calculate the time required for each job by observing the employee.
 - (ii) To determine how much work can an employee perform in a day.
 - (iii) To find out the best way to do a particular job.
 - (iv) Instead of using trial and error method for determining the job use systematic way such as data collection, analysis of data and the 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.
 - (i) The procedure of selection should be scientific. It means the selection should not be based on the judgement of a single person.
 - (ii) The physical, mental, technical or other qualities required for the job should be clearly defined. This makes the selection easier.
 - (iii) The Employees should be selected on the basis of tests and interviews.
 - (iv) The employees should be trained from time to time. Training makes employees capable to survive in the job.
 - (v) The manager should provide opportunities for development of workers having better capabilities.
 - (vi) The manager should develop each employee in such a way the that employee shows maximum efficiency.
3. **Co – operation between Management and Employees** : To achieve the objective 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 :

- (i) In the organization the emphasis should be given to co – operation between the management and workers and not to individualism.
- (ii) The goals can be achieved effectively only by co – operation.
- (iii) The interest of the management and the workers should be one and the same. They should harmonies.

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 :

- (i) The nature and roles played by different levels of managers and employees should be determined properly.
- (ii) 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 following points should be taken in to account.

- (i) The manager should create a suitable working condition for the employees
- (ii) All the problems should be solved scientifically
- (iii) The employees should perform their jobs carefully and with devotion
- (iv) The employees should use the resources carefully. They should not waste the resources.
- (v) 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.

6. Maximum prosperity for Employer and Employees : The aim of scientific management is to give maximum prosperity to the employer and employee. However it is possible with the help of following points.

- (i) Each employee should be given proper opportunity to attain his highest efficiency.
- (ii) The employees should give maximum output
- (iii) There should be the optimum utilization of resources.

DEFINITIONS :

- **Indian Partnership Act 1932 (sec. 4)** : “Partnership is the relation between the persons who have agreed to share the profits of a business carried on by all or any one of them acting for all”
- **Prof. Haney** : “The relation existing between persons competent to make contracts, who agree to carry on a lawful business, in common, with a view to private gain”.
- **Dr. J.A. Shubin** : “Two or more individuals may form a partnership by making a written or oral agreement that they will jointly assume full responsibility for the conduct of a business.”

MERITS :

- (1) **More Financial Resources** : Since more than one persons are contributing resources the capital of the firm is larger than a sole proprietorship. One of the most important reasons for formation of a partnership firm is to have more capital. Moreover, new partners may be admitted if the business is to be expanded.
- (2) **More manpower Resources** : The skills and abilities of all partners are combined to run the business. There can be a higher degree or division of labour and specialization. As a result, the business can be conducted more efficiently.
- (3) **Easy formation** : There is no need to fulfill many legal formalities for the establishment of partnership. Only written agreement is necessary to start any lawful business on partnership basis. **Registration of partnership firm is compulsory in Maharashtra from 1 April, 1985.**
- (4) **Simple Dissolution** : The procedure involved in dissolution of partnership firm is also simple. Partnership at will gets dissolved when a partner serves a 14 days’ notice to other partners. A particular partnership gets dissolved on completion of the specified venture or period for which it was formed.
- (5) **Rational Decisions** : Since every partner bears unlimited liability and is at risk for losses, the partners are very cautious and careful. Each one contribute to his fullest and keeps a check on the other partners to try to minimize the wastage. The decisions taken are based in the consultations among all the partners.
- (6) **Secrecy** : Partnership firms are not required to publish their annual accounts like profit and loss account and balance sheet. Therefore, the third parties including competitors cannot take undue advantage of the inner information of the firm.
- (7) **Personal Contacts** : Partnership firms, business can maintain personal contacts with customers and supply them goods and services as per their needs and requirements. This helps in customer’s satisfaction and the firm earns goodwill in the market similarly good relations can be maintained with employees.
- (8) **Division of Risk** : In sole trading concern all the responsibilities and risks belong concerns to the sole trader, but in partnership firms risk is divided among all the partners.
- (9) **Flexible organization** : There is no strict rule on the management of business, changes can be brought in the terms and conditions of the partnership deed easily. Moreover the business activities can be expanded or curtailed or diversified as per the changing business circumstances easily and quickly. Due to a limited number of active partners, rational and sound decisions can be taken immediately.

DEMERITS :

- (1) **Unlimited Liability** : In general partnership the liability of partners is unlimited, joint and several. If the business assets are not sufficient to pay off the third party liabilities of the firm even the personal property of partners can be used for the purpose.
- (2) **Limited Resources** : The upper limit of partners in a firm conducting **banking** business is **10** and **non banking** business is **20**, so the financial resources remain confined to the capital of the partner and their capacity to raise loans. At the time of expansion of business financial resources prove to be insufficient. Due to limited number of partners, a partnership firm can have limited financial and managerial resources.
- (3) **Disputes Among Partners** : There can be constant conflicts and disputes among partners. Some partners prefer working for self interest at the cost of the interest of the firm. Partners often put the blame on other partners for wrong decisions. Thus mutual conflicts and lack of team spirit among partners may lead to loss of reputation and finally to dissolution of the firm.
- (4) **Risk of Implied Authority** : Each partner works in two capacities as a principal and as an agent. Every partner has an authority to act on behalf of the firm i.e. any partner can enter into contracts with third parties. A wrong decision of a single partner may lead to have losses and due to unlimited liability, all partners will have to make those losses good. IN case of huge debts of the firm, even the personal property of partners may be utilized.
- (5) **No Separate Legal Status** : The Indian partnership Act 1932 does not give an independent legal status to partnership firms distinct from the partners
- (6) **No Succession** : Not being a legal entity the firm is dependent on the mutual undertaking of the partners and the death or insolvency of the partners can lead to an end of the firm. If all the partners except one dies, retires, becomes insane or insolvent, the partnership is compulsorily dissolved.

OR

DEFINITION :

1. **O'Donnell** : "Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course."
2. **Philip Kotler** : "Control is the process of taking steps to bring actual results and desired results closer together."
3. **Harold Koontz** : "Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished."

IMPORTANCE OF CONTROLLING :

- (1) **Fulfilling Organizational Goals** : Controlling function helps to measure the progress towards the organizational goals and points out the deviations, if any and then suggests the corrective action towards the fulfillment of the organizational goals. In this way controlling helps to achieve the goals of the organization.

- (2) **Accuracy of Standards** : A good control system helps management to verify the standards set are accurate or not. An efficient control system keeps a careful check on the changes taking place in the organization and helps to review the standards in light of such changes.
- (3) **Efficient Use of Resources** : By using control techniques, a manager helps to reduce wastage and spoilage of resources. This ensures that resources are used in the most efficient and effective manner so as to achieve organizational objectives.
- (4) **Improving Employee Motivation** : A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance. Once the organizational objectives are achieved then they are rewarded with monetary and non – monetary incentives. This motivation helps the employees to perform more better in future.
- (5) **Ensures Order and Discipline** : Controlling function brings about order and discipline in an organization. It helps to reduce the bad behavior on the part of the employees. Under this system, regular checking is done by the authorities concerned and preventive actions are taken to avoid any deviation in already set targets.
- (6) **Facilitates Co – ordination** : Control systems are designed in such a way that they focus not only on operating responsibilities of a manager but also on his ultimate responsibility. All the departments in the organization are interdependent on each other. There is always a possibility of having a good relationship between all the department managers. Co – ordination between the heads of departments can help to find out any deviations in their respective departments and use the remedial measure so that desired results can be achieved.
- (7) **Psychological Pressure** : Control pressure puts a psychological pressure on the individuals to perform better. Their performance is evaluated with the targets set for them. Everyone is likely to put on their best performance as they are aware that it will be evaluated. They may also have a pressure to achieve the results according to the standards fixed for them.
- (8) **Organizational Efficiency and Effectiveness** : Proper control ensures organizational efficiency and effectiveness. Factors of control like making managers responsible, motivating them for higher performance and achieving co – ordination in their performance ensures that the organisation works efficiently. An organization is effective if it is able to achieve its desired objectives.
- (9) **Corporate Image** : Controlling function helps to improve the overall performance of the organization. Progress in the business is measured in terms of planned standards and actual performance, if there is any deviation then corrective measures are applied and desired results can be achieved. This builds a good corporate image and brings goodwill for the business.
- (10) **Managerial Responsibility** : Managerial responsibility is created through assignment of activities to various individuals. This process starts at the top level and goes to the lower level. A manager assigns some activities to his subordinates and controls them.