

Note : In this Short-Answer Question, 5 sub-questions from different chapters will be asked. Any 3 out of 5 are to be attempted. While writing the answer, first write whether the statement is "True or False". If the statement is false, then write the correct statement. Write minimum 4 valid reasons with brief explanation.

(1) This statement is FALSE.

To provide service to its members and others is the main object of a co-operative society.

REASONS :

(1) A co-operative society is an organisation which is formed, managed and controlled by an incorporated voluntary association of many persons, usually of limited means to conduct business to achieve common economic objectives.

(2) It is formed to provide services to its members and not to earn the maximum profit. The service may be to provide consumer goods, loans, transport, banking services, etc. to the members of the society at reasonable rates.

(3) The members of the co-operative society come together on the basis of unity and equality. They pool their resources and efforts and thereby promote their common economic interests. The management of co-operative society is based on democratic principle. The decisions in the General Body Meetings and in the meetings of the Managing Committee are taken by the majority of the members present at the meeting.

(4) The co-operative organisations function under the control and supervision of respective state government. It is service-oriented and not profit-motivated. Economic growth through co-operation and equal opportunity is the main objective of co-operative society.

In fact, it is emerged as a distinct form of business organisation to get rid of the evils of profiteering practised by the capitalists.

(2) This statement is TRUE.

REASONS :

(1) e-business is abbreviated form of electronic business which implies application and use of information and communication technologies (ICT) to conduct and complete all business activities. It involves purchasing and selling on internet, processing orders electronically, making online payments via credit cards or debit cards, handling customer services and co-operating with business partners.

(2) e-business can be started, managed and operated with the help of the internet from any place in the world where internet is available. Naturally, it requires very less capital. It is also easy to set up. e-business also facilitates easy and speedy communication through websites, e-mail and telephonic communication between buyers and sellers.

(3) The World Wide Web (www) facilitates a firm engaging in e-business to have nationwide or a worldwide presence and popularity. It offers a lot of publicity (exposure) to the business on a global platform. This facilitates easy marketing of products. Thus, worldwide trade is possible by e-business.

(4) With the advent of internet direct communication between partners, employees, buyers and suppliers is made possible. Suppliers, partners, owners, etc. get feed back from the customers, co-partners, buyers, etc. This results in improved services. On account of all the above stated factors it is easier to make close relation between partners, employees and suppliers. Development of society is achieved through development in e-business, trade and commerce.

(3) This statement is TRUE.

REASONS :

(1) All the business organisations are indebted to the society, because they survive and grow on the patronage and support of the society. They should act as good and capable business units (organisations) of the society. They have to use the scarce natural resources most economically and with due priority to produce consumer goods.

(2) While providing employment to the people, business organisations should not discriminate against them on the basis of race, religion, caste, sex, etc. In order to encourage employees to work with commitment and dedication the business organisations must frame rules for confirmation of their services and strictly adhere to them.

(3) Business organisations are expected to take adequate and necessary steps for protecting the health and hygiene of the employees. They should provide proper sanitation, canteen facilities, medical facilities, hygienic conditions, etc. They should take adequate safety measures in case of the production of hazardous or unsafe products. Proper maintenance of machine and buildings must be done to prevent accidents and control pollution.

(4) Business organisations should not resort to false advertising. They should not mislead the consumers through exaggeration and tall claims. They must not indulge in vulgar and unethical advertising. They should help to the community financially and share government's burden in the times of occurrence of natural calamities like floods, earthquakes, cyclones, droughts, famines, riots, accidents, etc. It should also help the government in rehabilitation of disaster affected people.

(4) This statement is FALSE.

Consumer Protection Act is a blessing for the consumers.

REASONS :

(1) The Consumer Protection Act, 1986 has recognised six rights of the consumer : (i) Right to safety (ii) Right to be informed (iii) Right to choose (iv) Right to be heard (v) Right to redress and (vi) Right to consumer education. This act is comprehensive and reformist.

(2) Many institutions have started to ensure that the rights of the consumer are protected and promoted. Newspapers and other publicity media also make the consumer aware about his status and rights. Therefore, the consumer has now become alert and conscious of his rights. It is now difficult for the seller to neglect the interest of the consumer or ignore him or adopt pressure tactics for selling the inferior or substandard products.

(3) Consumer courts have been established to register consumers' complaints and conduct proceedings against the seller. There is no need to appoint a Lawyer to defend the case. If the complaints are found true, the concerned seller is given punishment and/or fine. These measures have cautioned the sellers. Besides this, social welfare and its growth are the other important features of Consumer Protection Act.

(4) Earlier, the seller used to apply the principle of 'Caveat Emptor' (i.e., let the buyer be aware) and put the condition 'goods once sold cannot be taken back'. But now the Consumer Protection Act, 1986 expressly provides that goods, if found defective or not according to specifications, can be returned or replaced. The seller is also held liable to pay compensation, if any. Now the principle of 'Caveat Emptor' is replaced by the principle of 'Caveat Venditor' (i.e., let the seller be aware).

Thus, it is clear that the Consumer Protection Act is a blessing for the consumers.

(5) This statement is TRUE.

REASONS :

(1) Principles of management if used and applied by the organisation in the right direction, they help the organisation to improve the overall efficiency of the employees. Principles of management advocate planned activities and systematic organisation of men, materials, methods, machinery, etc. which in turn help to improve the efficiency of employees.

(2) Principles of management guide the managers about handling the human resource, reducing the wastage, co-ordinating the activities of different departments, etc. This creates healthy atmosphere in the organisation which in turn helps to improve the productivity in the organisation and consequently efficiency of employees.

(3) Application and use of principles of management leads to specialisation, optimum utilisation of equipment and resources, increased productivity and efficiency. This in turn boosts the morale of employees. These principles of management act as a guide to the managers to co-ordinate and control different activities of the organisation and also motivate the employees to perform more efficiently and effectively.

(4) Principle of fair remuneration forces the management to pay adequate wages and other incentives to the employees. This goes a long way to increase the morale of employees who in turn would put their best efforts to perform their duties more efficiently. These, principles of management also stimulate research and development activities in the organisation.

(Marking Scheme : 1 mark is allotted for stating True or False and 4 marks are allotted for reasons. 5 marks for each sub-question; Total marks : 15)

Note : In this Short-Answer Question, 4 sub-questions on different chapters are set. Students are expected to attempt any 2 out of 4 subquestions. Usually questions such as writing nature (features), types, advantages, disadvantages, importance (significance) of any business organisation, writing management principles, features (nature) and importance of management functions, etc. will be asked in this type of Question. In the answer to each sub-question, minimum 5 points with sub-titles and brief explanation are expected. Underline the subtitles so given.

(1) The social responsibilities of business organisations towards the consumers are explained as follows :

(1) Better quality products : It is the responsibility of a business organisation to produce and supply better quality products and services and strive to improve the quality. For this purpose, every business unit must have quality control department to reject inferior and substandard products. In this respect, International Standards Organisation (ISO) is the latest trend towards quality control. This ensures customers' loyalty to products.

(2) Consumer safety : The organisation must ensure that the product supplied has no adverse effect on the life and health of the consumers. Unsafe products must not be marketed by the organisation. Some rival business organisations may introduce imitation articles of inferior quality. Under such circumstances, the manufacturer of the genuine product must warn the consumers of such imitations.

(3) Charging fair prices : The business organisation must charge fair and reasonable prices for its goods. Maximum Retail Price (M.R.P.) inclusive of all taxes should be printed on all packed products. The customers should not be cheated by being charged higher prices. Such practices bring disrepute to the organisation and spoil its image in the long run.

(4) Services regarding products : Business organisations are expected to offer the following services regarding products to the consumers : (i) Regular supply of goods/services at the right time, right price and right place. (ii) Supply adequate quantity and quality of products as per consumers' demand. (iii) The products must fulfil the expectation of consumers of different classes, taste, purchasing power, etc. (iv) Quick, satisfactory and efficient after sales services should be offered specially in case of consumer durable products. (v) Free repair, maintenance and guidance to use new products should be provided.

(5) Research and development : The business organisation is expected to conduct research and development for the purpose of improving the quality of the product and reducing the cost of production.

(6) Accurate information : Business organisations are expected to provide accurate information of product such as contents, uses, ways of maintaining products, side effects, if any, date of manufacturing and expiry, MRP, etc. to the consumers through advertising, packing and labelling. This is very essential in case of new products. Along with new products, printed leaflets should be provided for taking proper precautions.

(2) The characteristics of entrepreneurship are explained as follows :

(1) Economic activity : In order to satisfy human wants and in exchange earn a better livelihood, an entrepreneur manufactures new products or modify the existing products as per the needs, preferences and demands of the consumers. For this purpose, he undertakes a systematic plan activity by using skills, knowledge and experience. For this reason, entrepreneurship is considered as an economic activity.

(2) Innovation : Entrepreneur needs to be innovative. The essence of entrepreneurship is innovation. According to Joseph A. Schumpeter innovation may take place in the following forms, viz., the introduction of a new product in the market, the installation of new production technology, entry of specific product in a new market, the discovery of a new source of raw material, etc. In view of changing taste, preferences, etc., of the consumers, from time to time, entrepreneur undertakes research and development to manufacture products to satisfy the consumers' needs which is also referred to as entrepreneurship.

(3) Creative activity : Innovation is a process of creating something new and creativity is a prerequisite of innovation. Therefore, innovation should be strongly supported by creativity. Introducing creativity in the production process to produce new things or products is a challenging task before the entrepreneur. Hence, creativity is an essential element of entrepreneurship.

(4) Organisation building : Entrepreneurship is an activity of organising various factors of production such as land, labour, capital, etc. and various resources such as financial, physical and human resources. By considering place utility, time utility, form utility, etc., entrepreneur has to assemble different factors of production and resources under one roof for producing new products.

(5) Managerial skill and leadership : The entrepreneur who has strong feeling i.e. passion of doing or creating something new rather than just to earn profit will become a successful entrepreneur. Managerial skills and leadership are the most important features of successful entrepreneur. Other skills are not considered so important. Entrepreneur needs to be a good leader and manager of the groups working under him.

(6) Risk-bearing : An entrepreneur has to undertake so many risks including fall in prices, changes in fashions, attitude of customers, earthquake, floods, etc. All these risks cannot be insured with insurance companies. A risk which cannot be insured against and measured is called uncertainty. Entrepreneur always buys factors of production at certain prices to combine their contributions into the products and then sells those products at uncertain prices in future. Thus, entrepreneur is a risk-bearing agent of production.

(3) The importance (significance) of controlling is explained as follows :

(1) Fulfilling organisational goals : Controlling helps to fulfil and achieve organisational goals. Plans are made in the organisation to define the activities to be performed for achieving the goals. The controlling function ensures that the activities take place according to the plans and if there is any deviation, timely action is taken. When all the activities are conducted successfully, according to plan the organisational goals can be achieved as desired.

(2) Accuracy of standards : Proper and efficient control system help the management to check the standards set are accurate or not. This system also keeps check on the changes taking place in the organisation. This in turn facilitates the organisation to review the standards by considering such changes.

(3) Efficient use of resources : By using various control techniques, managers can keep a close watch over the utilisation of human, physical and financial resources. They can prevent the misuse or wastage of resources and ensure proper utilisation of the same.

(4) Improving employee motivation : A good control system gives information in advance about the standard performance and

discovers efficient and inefficient employees. The management can give training to the inefficient employees to get rid of their weaknesses. Efficient employees may be rewarded financially. Financial rewards or incentives motivate them further. The manager may recommend motivational measures in case it finds that deviations are due to insufficient motivation.

(5) Ensures order and discipline : An efficient and good control system ensures order and discipline in the organisation. It prevents and reduces bad and unnecessary behaviour on the part of employees. Under this system regular checking is done by the managers or departmental heads and preventive measures are taken against deviation or indiscipline.

(6) Facilitates co-ordination : In any organisation, the expected results depend upon the individual, group and departmental efforts. Proper co-operation, integration and co-ordination is necessary in such efforts. Controlling reveals the weak points where co-ordination falls short, so that the management can take timely action. Every manager or superior co-ordinates the activities of subordinates towards the process of controlling.

(4) The rights of consumers are explained as follows :

(1) Right to safety : The right to safety means the right to be protected against products, production processes and services which are hazardous to consumers' lives and property. They have a right to be protected against marketing of goods which are injurious to health and life. They also have a right to food safety since it directly affects their health and quality of life. For instance, a hotel owner should not serve stale food to his customers. Similarly, a chemist should not sell the medicines after their expiry dates.

(2) Right to information : The consumer has a right to get correct information about the price, quality, ingredients, quantity, potency, purity, standard, name of the manufacturer, instructions regarding the use, date of manufacturing, date of expiry and so on. This is essential to avoid deception and to protect against misleading advertising, improper labelling and other practices. The buyer should be informed about the way he should consume the product, the adverse health effects, if any, of its consumption, use of its ingredients, etc.

(3) Right to choose (choice) : The consumer has a right to choose a proper variety out of different varieties of goods and services. He has a right to choose a safe, healthy and better quality product and wide variety of similar products. This right aims at promoting competition and removing monopoly. The possibility of selling goods of inferior quality through pressure tactics by certain selfish traders can be avoided if consumers are conscious of this right.

(4) Right to be heard : The consumer must be given an opportunity to express his views, suggestions, difficulties, complaints, grievances, etc., before the appropriate authorities, about the products he uses. It means if a consumer is cheated in the market place, his complaint must be taken into consideration by the concerned authorities. For instance, a consumer has a right to file a suit against the dealer for his misleading advertisement.

(5) Right to redressal : The consumer has a right to seek redressal against unfair trade practices. This also includes the right to have a fair settlement of his just or reasonable claims. In other words, he has the right to receive a fair amount as compensation or get the article replaced or repaired free of cost for misrepresentation (wrong claims) made by the manufacturer. It is done through the

Consumer Protection Act, 1986 under which District Forum, State Commission and National Commission are established.

(6) Right to Education : The right to consumer education means the right to become a well-informed, alert and cautious consumer, able to make rational decisions regarding purchase of goods. The main cause of consumer exploitation is their ignorance. Consumer education, therefore, empowers consumers to fight against their exploitation. In this regard, the government, media and various Non-Government Organisations (NGOs) can play an important role to create awareness among the consumers and to educate them, e.g. Jago Grahak Jago Campaign.

(Marking Scheme : Each sub-question carries 5 marks. Total marks : 10)

Note : In this question, 2 Long-Answer Questions on 2 chapters from Board's Textbook Ch. nos. 1, 2 and 7 will be asked. Out of 2 questions, students are expected to attempt any one. In each question there will be 2 sub-parts. Usually, meaning or definition of any concept of this subject may be asked in the first part. This part of the answer carries 2 marks. Features, types, advantages or disadvantages of that concept may be asked in the second part. The second part of the question carries 8 marks. At least 8 points with sub-titles and brief explanation are expected in that part of the answer.

(1) **[A] DEFINITION :** Prof. Haney defines joint stock company in the following words, 'A joint stock company is a voluntary association of individuals for profit having capital divided into transferable shares, the ownership of which is the condition of membership.' In simple terms, a joint stock company is a form of business organisation in which persons interested in doing some business with sole aim of earning profit form an association and get it incorporated (registered) under the Companies Act.

[B] Features : The features of a joint stock company are explained as follows :

(1) **Artificial Legal person :** As soon as a company is incorporated, it is separated from its shareholders and it receives independent statutory status. It is recognised as a person in the eyes of law though it has no physical existence. For this reason it is called an artificial (legal) person. It has a separate name and it uses a common seal as a substitute for its signature.

(2) **Separate legal entity :** A registered company, in the eyes of law, is an independent legal entity distinct from the members who have formed it. Every company has a specific name under which it is registered. The company can acquire and dispose of property in its name and it can also enter into contracts and borrow money, file a suit against a third party and can be sued in a court of law.

(3) Limited liability : The liability of a shareholder is limited to the extent of the face value of the shares held by him. If the share amount is fully paid (i.e. face value), then there is no further liability on the part of the shareholder. The company undertakes greater risks because the liability of the members is limited. In the event of liquidation of the company, the personal property of the shareholders cannot be attached by the creditors of the company in settlement of their debts. In such a case, the shareholders at the most may lose their investments in the shares of the company.

(4) Common seal : The Companies Act provides that every company must have its own seal, known as the 'common seal' and get it registered. Since company is an artificial person, cannot sign as a human being, the common seal is used as the signature of the company. It shows the name of the Company which is engraved in a particular manner. It is essential that two directors and the secretary sign as witnesses on the documents on which the common seal is affixed.

(5) Registration : As per the provisions of the Indian Companies Act, 1956, the registration is compulsory for every joint stock company. A company cannot be formed without registration.

(6) Transferability of shares : The ownership of share is the pre-condition on membership. In the case of a public limited company, the shares are freely transferable. Transferability of shares enables a shareholder to get back his capital easily by selling them in the Stock Exchange. However, the shares of the private limited company are non-transferable.

(7) Separation of ownership from management : In the case of a joint stock company, the ownership of the joint stock company remains with the shareholders and the management is entrusted to the elected representatives of the shareholders known as the directors. The directors form themselves into a Board and the Board of directors formulates plans, strategies and policies with respect to the business operations of the company.

(8) Membership : In a private limited company, the minimum membership is 2 and the maximum membership is 50. As per the new provisions made in the Companies Act, 2013, the maximum membership in case of private company is now 200 members. In a public limited company, however, the minimum membership is 7 and there is no limit for the maximum number of members.

(9) Registered office : Every joint stock company must have a registered office. The address of the registered office must be mentioned in the domicile clause of the Memorandum of Association of the company. It is a centralised place from where all the correspondence between the company and all interested parties such as shareholders, creditors, Registrar of the companies, etc. take place. All the important documents of the company such as Register of members, minutes books, annual returns, register of debentureholders, etc. are kept at the registered office of the company.

(10) Voluntary association : A joint stock company is an association of many persons. Any person irrespective of caste, creed, colour, religion and economic status can become a member of the company by purchasing its shares. However, membership is not compulsory but voluntary.

[Marking Scheme : (i) Definition of Joint Stock Company : 2 marks
(ii) Features of Joint Stock Company : 8 marks (At least 8 points on features of Joint Stock Company with brief explanation are expected.)

OR

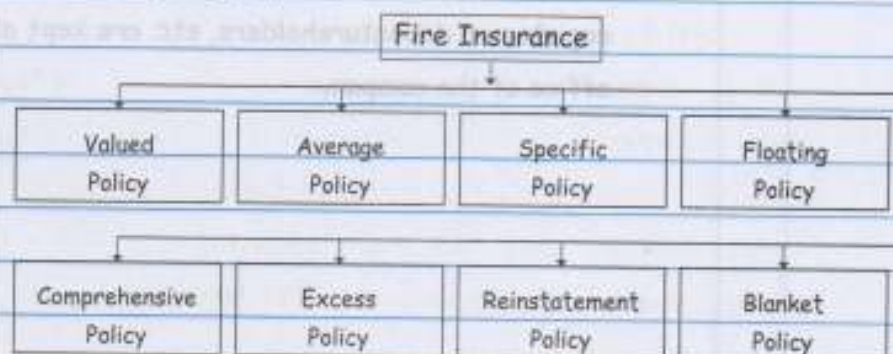
(2) [A] DEFINITION of Fire Insurance :

Fire Insurance Act, Section 2(6) defines, 'Fire insurance business means the business of effecting, otherwise than invidently, to some other class of business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among the risks insured against in fire insurance policies.'

In other words, 'Fire insurance contract is a contract of indemnity against loss or damage to goods or property arising from fire during a fixed period of time and up to a specified amount.'

[B] Types of fire insurance policy :

The different types of fire insurance policies are shown in the following diagram :



The different types of fire insurance policies are explained as follows :

(1) Valued Policy : It is a policy under which the value of the property (i.e. subject matter) is ascertained and agreed upon by the insurer and the insured at the time of issue of the policy. The insurer undertakes to pay the agreed value irrespective of amount of loss caused due to fire. This type of policy is taken for those goods whose value becomes difficult to calculate at the time of loss by fire, e.g. art work, paintings, etc.

(2) Average Policy : This policy contains an average clause. Under this policy the insurer is liable to pay only that proportion of the actual loss as the insured sum will bear to the full value of the property at the time of the loss, e.g. the machinery of ₹ 5,00,000 is insured under fire insurance for ₹ 2,00,000. The loss occurred due to fire arrived at ₹ 2,50,000. The compensation will be paid ₹ 1,00,000. This is because insurance is 50% of actual value of machinery. Hence the claim for loss is also 50% of 2,00,000 i.e. ₹ 1,00,000.

Formula to calculate claim :

$$\frac{\text{Value of Policy}}{\text{Value of Property}} \times \text{Actual loss}$$

$$= \frac{2,50,000}{5,00,000} \times 2,00,000 = ₹ 1,00,000.$$

(3) Specific Policy : This type of policy mentions a specific maximum amount payable as compensation in case the insured property is destroyed by fire, irrespective of the actual value of the property insured, e.g. a property of the value of ₹ 5,00,000 is insured for ₹ 3,00,000. The loss occurred due to fire is ₹ 1,50,000. Here insurance company will pay ₹ 1,50,000 in full as compensation.

(4) Floating Policy : This type of policy covers, under one sum and for a single premium, one or several kinds of goods lying in different

localities. As the quantity of goods lying at different places fluctuate from time to time, it is convenient to the businessmen to take a policy for one sum and one premium for goods lying at different places.

(5) Comprehensive Policy : This fire insurance policy covers all kinds of risks such as fire, explosion, lightning, thunderbolt, riot, strikes, burglary, etc. This policy is also called as all in one policy. This type of policy is more popular in USA, UK, etc.

(6) Excess Policy : This types of policy is taken when the market value of stock constantly fluctuates. In such case one policy is taken for a minimum amount below which value of stock never falls and another policy for excess amount by which price fluctuates, e.g. if the value of stock ranges between ₹ 5,00,000 and ₹ 5,40,000, then one policy will be taken for ₹ 5,00,000 and another policy will be taken for ₹ 40,000 i.e. for excess amount.

(7) Reinstatement Policy : Under this policy, insurer undertakes to replace the property or goods lost by fire or to pay the amount that would be needed to reinstate or replace the damaged or destroyed property. While replacing the property for paying compensation depreciation amount of the property destroyed is not taken into consideration. The rate of premium is usually very high.

(8) **Blanket Policy** : It is a policy under which all the assets of the business i.e. fixed assets and current assets lying at different places are insured under one insurance policy and one premium for one particular sum.

[Marking Scheme : (i) Definition of fire insurance : 2 marks and (ii) Type of fire insurance : 8 marks. (At least 8 points with brief explanation are expected.) Total marks : 10.]