

**SYJC – MARCH 2016**  
**SOLUTION OF**  
**PRELIMINARY PAPER**  
**OC**

(3hrs)  
(80 Marks)  
Date: 27.12. 2015

- Ans. 1.(A)**
1. Byelaws.
  2. Short
  3. Computer
  4. Fair wages
  5. 1856

**Ans.1.(B)** Match the correct pairs -

**A**

1. Common Seal
2. Bonded Warehouses
3. Mumbai Grahak Panchayat
4. Staffing
5. Private Company

**B**

- (a) Joint Stock Company
- (b) Located within the ports
- (c) NGO's working for consumer
- (d) Related to financial factor
- (e) Maximum 50 members

- Ans.1. (C)**
1. Esprite de corpse
  2. Directing
  3. Business ethics
  4. Staffing
  5. Cooperative society

**Ans. 2. 1.** Sole trading concern & partnership firm.

Sr.No.	Basis of Difference	Sole Trading Concern	Partnership Firm
1	Meaning	Owned and controlled by only one person	In this form of business organization two or more persons come together to undertake a business and share profits.
2	Formation	It can be formed at any time when proprietor decides	It can be formed by an agreement between two more competent persons.
3	Ownership	Sole trading concern has only one owner	Minimum number of members are 2 and maximum 10 in banking and 20 in other firm.

## 2. Water Transport & air transport

Sr. No.	Point of Distinction	Road Transport	Rail Transport	Water Transport	Air Transport
1.	Speed	Road transport has limited speed due to bad road conditions, accidents, etc.	It has considerable speed since it runs on tracks which rarely gets disturbed	It is the slowest mode of transport	It is the fastest mode of transport
2.	Carrying Capacity	It has limited carrying capacity	It has huge carrying capacity	It has a very huge carrying capacity	It has limited carrying capacity
3.	Cost of construction and maintenance	It requires limited capital investment in terms of construction of road, vehicles and their maintenance	The cost of construction of trains, railway tracks is high. Also the maintenance of trains, tracks and stations is high.	It uses waterways which are natural high-ways and hence there is no cost involved. However, there is high cost involved for construction of ships and ports and also maintenance of ships and ports.	It uses airways which are natural and hence there is no cost involved. However, there is a huge cost for construction of aircrafts and airports. These costs are very high compared to other modes of transport.

3. State commission & national commission.

Sr. No.	Points of Distinguish	District Forum	State Commission	National Commission
1	Meaning	A consumer dispute redressal forum working at district level	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 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 crore	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-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.	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	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	It can entertain original cases and also appeals against the orders of State Commission.
5	Members	Other than presidents it has minimum two members	Other than president it has minimum two members	Other than presidents it has minimum four members
6	Area Covered	It covers a particular district	It covers a particular state	It covers the entire country
7	President	District Judge or equivalent	High Court Judge or equivalent	Supreme Court Judge or equivalent

#### 4. Planning & controlling.

Planning	Organizing	Staffing	Directing	Co-ordinating	Controlling
<b>1. Meaning</b>					
Planning is deciding in advance what to do, how to do it, when to do it and who is to do it.	Organizing is the process of defining and grouping the activities of the organization	Staffing is the process of recruitment selection, development, training, promotion, etc.	Directing is a process to instruct, guide, communicate, inspire and motivate employees to achieve organizational objectives.	Co-ordinating 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 object is to set goals and choosing the means to achieve these goals	The main objective is to identify and bring together all the resources	The main objective is to appoint right type of people at the right positions and at the right time.	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.	The main objective is to ensure that the targets must be achieved as per the plans.

#### 5. Fire Insurance & marine insurance.

Sr. No.	Points of Distinction	Life Insurance	Fire Insurance	Marine Insurance
1.	Meaning	A contract whereby the insurance company undertakes to pay a certain sum of money either on death or maturity (whichever is earlier) for a consideration (Premium).	A contract which insurer promises to pay compensation to insured if something happens to the subject matter due to fire or related events.	A contract whereby the insurance company undertakes to pay compensation to the insured in case of loss to him due to dangers (perils) of the sea.

2.	Who takes it	It can be taken by an individual for his own life or for his family members	It can be taken by individuals for their properties or by businessmen for their goods, properties business liabilities, etc.	It can be taken by exporters, importers and shipping companies
3.	Subject Matter	In Life Insurance, the life of the Insured is a subject matter	In Fire Insurance, the goods and assets or property of the insured is the subject matter	In Marine Insurance, Goods in ship, cargo and freight is the subject matter
4.	Insurable Interest	It must exist at the time of contract	It must exist both at the time of contract and also at the time of loss	It must exist at the time of loss

### Ans. 3.1. Types of partners.

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 liability and is not liable for losses.
5. **Partnership 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 parson 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 as 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.

## 2. TECHNIQUES OF SCIENTIFIC MANAGEMENT

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 manger 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 cn be used by the manger 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 techniques is exactly opposite of Fayol's principle of unit of command. According to Fayol there should 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 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.

### 3. Steps of on-line transaction.

#### ON-LINE TRANSACTIONS

##### 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 filing 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.



#### 4.Importance of Directing.

Directing is vital managerial function. Its importance is as follows:

1. **Initiates Action:** Directing function is a point from where the action starts, subordinates understand their jobs and do according to the instructions given. Whatever plans are made can be implemented only when the actual work starts, the direction becomes beneficial.
2. **Integrated Efforts:** The superiors are able to guide, inspire and instruct the subordinates to work. Efforts of every employee towards fulfillment of goals are required. It is through direction the efforts of every department can be related and integrated with others.
3. **Means of Motivation:** A manager makes use of motivational techniques to improve the performance of subordinates by providing monetary and non-monetary incentives. Motivation is also helpful for the subordinates to give the best of their abilities which ultimately helps in growth.
4. **Provides Stability and Balance:** Stability and balance in the organization becomes very important for long term survival. Effective leadership, communication, supervision and motivation provides stability and maintains balance in the different parts of the organization.
5. **Adopting Changes:** Directing function helps in making changes in internal and external environment. It is the role of a manager to communicate the possible changes very clearly to the subordinates like new technology, production techniques, management policies, etc.
6. **Efficient Utilization of resources:** Directing helps to utilize all the resources to the optimum level. Proper direction helps the employees, gives guidance and motivation in a right manner which reduces wastages and increased efficiency. This also helps in maximum possible utilization or resources of men, machine, material, methods and money.
7. **Team Work:** Proper Direction brings team spirit in an organization. It is a combined effort of all the employees that brings success for the organization. Managers play an important role, as they have to give not only direction to the employees but also guide and motivate them to achieve the targets set-up by the organization.
8. **Increase Efficiency:** Sound direction leads to motivation and work efficiency among the employees which improves quality of work and reduces wastages. New techniques, methods, etc. can be adopted to give to give to employees for enhancing their efficiency.
9. **Exploring Potential of Individuals:** Every individual in the organization has some potential and capability. Direction helps the individuals to utilize their abilities to their best by providing them proper motivation and encouragement. It is the duty of a good leader to utilize the capabilities to achieve organizational goals.

**Co-operation:** Co-operation always exists between different departments and among the people within the department for the betterment of an organization. Co-operation is necessary from top level to the bottom level. Without proper co-operation, team work and efficiency to achieve organizational objectives cannot be possible.

## 5. Functions of Entrepreneur.

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.

Economist Kilby Peters has enumerated 13 functions of an entrepreneur. He is of the opinion that an entrepreneur has to perform the following kinds of activities for the successful operations of the enterprise.

1. Perception of market opportunities.
2. Gaining command over scarce resources.

3. Purchasing inputs
4. Marketing of products and responding to the competition.
5. Dealing with the public bureaucracy
6. Managing human resources of the firm.
7. Management of customer and supplier relations.
8. Financial management
9. Managing production
10. Acquiring and overseeing - assembly of factory
11. Industrial engineering
12. Upgrading process and product quality
13. Introduction of new production techniques and products.

- Ans. 4.**
1. False
  2. True
  3. True
  4. False
  5. True

- Ans.5** 1. State the social responsibilities of business towards employees.

#### **RESPONSIBILITIES TOWARDS EMPLOYEES**

Employees are human resource that must be treated with dignity and respect. Mutual confidence and trust on employee will bring success to managerial goals. Government has passed various labour laws to safeguard the interest of employees. Business has following responsibilities towards employees.

1. **Job Security:** Some companies employ workers on temporary basis for years together. Employees should get guarantee of employment. Security of job provides mental peace and employees can work with full dedication and concentration. It will raise their moral and loyalty towards organization.
2. **Fair Remuneration and Allowances:** A Business Organization must pay adequate wages and other incentives like bonus, overtime allowances etc. Remuneration should be fixed according to nature and importance of work. Suitable wages plans providing increments and revision of wages is essential.
3. **Good Working condition:** The employees should be provided with good working conditions such as adequate lighting ventilation, drinking water etc. Necessary steps should be taken to avoid air, water and sound pollution. There should be proper working hours (shift wise if any) with lunch breaks, rests pauses, etc. Provisions of proper working conditions increasing the efficiency of the employees.

4. **Protect Health and Provide Safety:** Business should protect health and hygiene of employees. Canteen facilities, medical facilities as well as proper sanitation must be provided to workers. Proper maintenance of machines and premises must be done to prevent accidents and control pollution. Safety equipments like hand gloves, industrial shoes, helmets, goggles, masks etc. should be provided to concerned employees.
5. **Promotion and Career Opportunities:** Business should offer adequate opportunities of promotion to their talented employees. They should give proper information about qualifications, skills and experience required to obtain promotions. It will increase awareness among employees, and they will be motivated to take efforts. Moreover the employees who have exceptional talent should be offered with career opportunities and try to make all development of personality.
6. **Workers Participation in Management:** Workers should be encouraged to participate in management through various schemes such as common suggestions system to save cost, quality circles, profit sharing, co-partnership etc. It will raise their moral and give them a sense of belonging to organization. It will also create relationship between labour and management.
7. **Education and Training:** Organization should make every possible attempt to educate employees. Guidance and methods of trainings depends on nature of job. "Introduction training", "Refresher training" is conducted to keep employees updated on latest development. Training makes employee confident and also it increases their efficiency.
8. **Proper Grievances Procedure:** There should be proper grievances procedure to handle employee complaint. All queries should be sorted quickly. The employees must feel satisfied. Investigation and necessary actions should be taken to settle their grievances.
9. **Recognition of Trade Unions:** To maintain industrial peace is the responsibility of commercial organizations. They must recognize the right of workers to join trade unions. They should not suppress formation of workers union. "Divine and Rule" policy should not be followed. Management should sort out various problems of workers or employees by holding talks or negotiations with such unions. Management and union should agree to ban strikes and lockout to protect interest of both the parties.

2. State the importance of consumer protection.

## IMPORTANCE OF CONSUMER PROTECTION

Even though, in the modern competitive market consumer is regarded as the king but in reality he gets exploited by manufacturers and sellers. They are in superior position than consumers. So, consumers need to be protected. Consumer protection means safeguard the interest of the consumers and allowing him to exercise his rights. Protection of the interest of consumers with the help of various laws is a recent development. But history shows that even in ancient times kings and emperors have taken note of protection of consumer rights.

The following extract from the book “Consumer Protection Administration, Organization and Working” by Cheena Gambhir talks about Consumer Protection in ancient times.

**The following points emphasise the importance 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. **Unorganised 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:** Modern products are the end result of complicated production processes. It is beyond the capacity of poor and illiterate consumers to judge the quality or 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 domestics as well as imported products. But is it 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 chances of consumer exploitation are high.

7. **Lack of participation of consumers:** It is observed that certain decisions, which directly affect consumer's interests 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 trade practices:** When more and more consumers starts 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.
3. Explain the principles of scientific management.
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.

*Select any job or activity in a production unit. Find out the parts and sub parts of the activity.*

*Calculate the time required to complete each job. Find out the time required to complete the total work.*

*What did you find out?*

*Was it the best way to complete the job?*

*Can you suggest any better alternative to complete the same task?*

*If yes, then support your suggestions by preparing a report and hand it over to you teacher.*

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. Followings 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.

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.

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

The principles of scientific management cannot be applied unless the techniques of scientific management are studied. They are given below

4. Explain the competencies of an entrepreneurship.

There are certain characteristics of entrepreneurs. Some entrepreneurs may have some special characteristics according to their capabilities. Here, we are studying the common characteristics:

1. **High goals:** The entrepreneurs have very positive desires to achieve high goals. Such high self motivation keeps them strong and confident to face various obstacles and misfortunes. Hence they are successful in setting a prosperous organization.
2. **Future foresight:** The entrepreneurs have good foresight to know about the future market development and the external business environment. He can take proper decisions according to the market situations and market changes. This also helps them to take timely actions.
3. **Mental abilities:** Mental ability consists of intelligence and creative thinking. To be an entrepreneur, a person must be intelligent and have the ability of creative thinking. This ability will help him to take proper decision.
4. **Technical knowledge:** An entrepreneur should have sufficient technical knowledge about the products and his plan to produce.



Timely change of technology should always be updated to be in pace with the market.

5. **Hard work:** A successful entrepreneur will always be ready to work hard. Hard work will always distinguish a successful entrepreneur from an unsuccessful one. At the start of any venture, the entrepreneur has to work tediously, for long hours and independently handle the main areas.
6. **Highly optimistic:** An entrepreneur always thinks positive in all the activities. He is always optimistic with the market situations even in failure times. Such positive attitude helps the enterprise to run successfully.
7. **Communication skills:** This refers to communicate effectively. It is very important that the sender and receiver of the message are being understood perfectly. An entrepreneur has to communicate to various parties i.e. customers, suppliers, creditors, employees, etc.
8. **Creativity:** Creativity is the ability to bring something new into existence. Innovation is the process of doing new things, and creativity is a prerequisite to innovation. An entrepreneur should be creative, because ideas usually evolve through creative process whereby imaginative people bring them into existence, grow them and develop them positively.

**Ans.6.** Define cooperative society and explain its merits and demerits in detail.

#### **TYPES OF CO-OPERATIVE SOCIETIES**

Co-operative societies are classified into different types according to the nature of the services rendered by them. Followings are the main types of co-operative societies.

1. **Consumer's Co-operative Societies:** Consumer's Co-operative societies make their purchases in bulk from wholesalers and supply them in small quantities to members at very reasonable prices and also provide various services to them. Members are given bonus and share in profit in proportion to their investment.
2. **Credit Co-operative Societies:** It is formed with the objective of granting loans to members at a reasonable rate of interest for productive as well as non-productive purpose. They may be established in rural areas by agriculturist or artisans called as rural credit societies or by salary earners or industrial workers in urban areas, called as Urban Banks, Salary Earner's Societies, worker's societies.
3. **Producer's Co-operative Societies:** Producer's co-operative societies are also called industrial co-operatives which provide raw material, implement tools, technical guidance, to the members on easy terms so that they can produce superior quality products.
4. **Marketing Co-operative Societies:** Marketing co-operatives undertake centralized sale of the products produced by their members. They perform all the marketing functions standardizing, grading, branding,

packing, advertising, transportation etc. and after selling the product, distribute the proceeds among members depending upon the quantity sold for each member.

5. **Farming Co-operative Societies:** These societies are formed by farmers who voluntarily come together and pool their land to jointly conduct agricultural operation using scientific methods of cultivation.
6. **Housing Co-Operative Societies:** Housing co-operative societies purchase land and develop it. Co-operative housing societies are formed by members for the construction and maintenance of building for residential purpose on ownership basis.

## MERITS OF CO-OPERATIVE SOCIETIES

1. **Easy Formation:** A co-operative society can be formed easily. Minimum **ten** members are required for the registration of co-operative society. Then any adult member can join hands to start a co-operative society. Though the registration of a co-operative society is compulsory, the procedure for registration is simple and the fees for registration are nominal.
2. **Democratic Management:** The management of co-operative organization is democratic in nature. Each member enjoys an equal right to vote. The principle of voting is '**one member one vote**'. Thus each member is involved in decision making. The managing committee which manages the day-to-day administration of the co-operative society which is elected by members from themselves and it works for providing services to members.
3. **Limited liability:** The liability of the members of the co-operative society is limited to their shares or to the extent of the unpaid amount of the shares held by them or the guarantee given by them, i.e. their personal property cannot be used even if the assets of the society are insufficient to pay of its debts to the third parties.
4. **Stability:** Since a co-operative society enjoys an independent legal status different from its members. It enjoys a stable and a continuous life, i.e. its continuity does not get affected by the death, insolvency or insanity of any members. Any member may leave or join the organization but the co-operative society remains unaffected.
5. **Open Membership:** The membership of a co-operative society is voluntary. It is open to all, i.e. any person of any caste, creed, religion etc. can become a member by purchasing shares in the society. There is no force or compulsion on any person to join or leave the organization. People join the organization at their free will and become members. Similarly, any member can leave the organization any time as per his wish.
6. **Tax concession:** Since co-operative societies play an important role in the economic and social development of the country, the government gives many concessions to them which include exemption of payment of income tax upto a certain limit. This helps in increased profitability.

7. **Less Operating Expenses:** The operating expenses of co-operative societies are very little because members offer administrative services without any remuneration. There are no advertisement expenses and no middlemen are involved. Various concession, reliefs, and privileges related to registration fees, stamp duty, income tax, etc. are given to co-operative organizations by the government.
8. **Supply of goods at cheaper Rate:** Co-operatives society makes bulk purchases directly from manufacturer or wholesale trader, so goods are available at cheaper rate. Co-operative societie's main aim is to provide services to members rather than earning profits.
9. **Self financing and charity:** After paying maximum dividend of 15% p.a. (as per the latest amendment to the act) on the shares of members and bonus as per their purchases, the surplus profit is utilized for financing growth and development of the organization and also for charitable and social activities.

### DEMERITS OF A CO-OPERATIVE SOCIETY

1. **Lack of capital:** The members of co-operative society belong to lower and middle income group. Hence they can invest only a limited capital in the co-operative society. Buying more shares does not help the members in dictating their terms in the management since the principle of voting is 'one member one vote' unlike a company where it is 'one share one vote'. There is no capital appreciation. A maximum dividend of 15% is paid on the shares.
2. **Rigid Government Rules and Regulations:** There is strict control and supervision by the state government on the working of co-operative organizations. Registration is compulsory as per the co-operative society act of the concerned state. The concentration of power is in the hands of Registrar. Various Statements are required to be sent to the Government from time to time. Due to excessive Government interference, the spirit of co-operation is lost.
3. **Incompetent Management:** Members constitute Managing committee which is responsible for day to day administration of the society, Members may not possess the required skills, abilities, time and experience for managing the affairs efficiently. Members work in an honorary capacity. Therefore they lack motivation. Due to limited funds, the services of experts cannot be engaged for efficient management. There is unnecessary interference by government officials and politicians in the working of the co-operative society.
4. **Lack of Public Confidence:** It is observed that only some particular members become members of the managing committee and they are politically motivated. Co-operative society do not enjoy public confidence as many co-operative societies have failed miserably in achieving their objectives. This is because unnecessary interference by politicians, corrupt government officials in the working of co-operatives.
5. **Lack of Motivation:** The managing committee members work in an honorary capacity. There is no incentive for them to work hard. There is

direct effort reward relationship. This may result in lack of interest by the management in affairs of the co-operative society.

6. **Mutual Disputes:** There are constant conflicts among members as they lack the maturity and experience in handling the affairs of the society. Some members purchase their requirements from other sources rather than from the co-operative society of which, they are members. Moreover, some members try to set concessions and privileges enjoyed by co-operatives for their personal gain. These matters result in further disputes and may also result in winding up of the co-operative society.
7. **Limited Scope for Expansion:** Due to limited financial and managerial resources, a co-operative society cannot expand the business beyond certain limits.

**OR**

Ans.6. Define commercial bank and explain its functions in detail.

## **BANKING**

### **DEFINITIONS:**

**Indian Banking Companies Regulation Act, 1949:** "Banking Company is one which transacts the business of banking which means the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawable by cheque, draft, order or otherwise."

### **FUNCTIONS OF COMMERCIAL BANKS**

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:

### **E-BANKING**

E-banking refers to electronic banking. E-banking is also called as Virtual banking or "Online Banking", E-banking is a result of the growing

expectations of bank's customers. Under E-Banking system, all the working of the banks is done on computerised system. An account holder can deposit or transfer the money through online trading i.e. there is no need to go to the bank to deposit the money or withdraw the money. The person can transfer his funds from one account to another through e-banking and the person can get information of his account on the computer itself. E-banking system makes the transaction of banking system much faster.

1. **Automated Teller Machine (ATM):** ATMs are electronic machines which are operated by the customer himself to deposit or to withdraw cash. For using an ATM, the customer has to obtain an ATM card from his bank. The ATM card is magnetically coded. It can be easily read by the machine. To operate an ATM card, the customer has to insert the card in the machine, he has to enter the password (number). If the authentication or password is correct, the ATM permits a customer to make entries for withdrawal or for deposit. On completion of the transaction, the customer's card is ejected from the machine.

ATM provides 24 hours service and convenience for the bank customers. It is also beneficial for travellers as they can withdraw money from anywhere in the country or outside the country. ATM provides privacy in the banking transaction, so it is safe and not risky.

2. **Credit Cards:** Credit cards (VISA OR MASTER CARD) are issued by the bank to the persons who may or may not have an account in their bank. Credit cards are used to make payments for purchase so that the individual does not have to carry cash. Banks allow certain period to the credit card holder to make payment of the credit amount. The bank may charge a high rate of interest if payment is not done till the due date.
3. **Debit Card:** Banks are now providing Debit Cards to their customers having savings or current account in the banks. The customers can use this card for purchasing goods or services at different places instead of cash. The amount paid through debit card is automatically debited from the customer's account.
4. **Electronic Fund Transfer (EFT):** Under this system, money can be transferred from one account to another account. There can be Direct credits, which includes dividend on shares, interest on debentures, commission, salary, pension, etc. And Direct debits which include telephone and electricity bills, loan instalments, insurance instalments, credit card dues, etc.

5. **Core Banking:** 'Core Banking Solution' or 'Centralised Banking Solution' is popularly known as CBS. CBS is that banking system which makes banking convenient by changing the status of customer from 'Customer of a Branch' to 'Customer of the Bank' facilitating speedy and effective banking anywhere and at all times. In this system, a customer by opening a bank account in one branch (which has CBS facility) can operate the same account in all CBS branches of the same bank anywhere across the country.
6. **Internet Banking:** Computer and Internet are commonly used by the people. So as to facilitate them, banks have started transactions over internet. The customer having an account in the bank can log on to the banks website and access his bank account. He can make payments for bills, give instructions for money transfers, fixed deposits, collection of bills, etc.
7. **Phone Banking:** Customer of the bank having an account can get information of his account, make banking transactions like fixed deposits, money transfers, demand draft, collection and payment of bills, etc. by using telephone. As most of the people are using mobile phones, phone banking is possible through mobile phones. In mobile phone, a customer can receive and send messages (SMS) from and to the bank in addition to all the functions possible through phone banking.
8. **National Electronic funds Transfer (NEFT):** NEFT refers to a nation-wide system that facilitates individuals, firms and companies to electronically transfer funds from any bank branch to any individual, firm or company having an account with any other bank branch in the country. NEFT settles transactions in batches. The settlement takes place at a particular point of time. All transactions are held till that time. E.g. NEFT settlement takes place 6 times a day during the week days (9.30 am, 10.30 am, 12.00 noon, 1.00 pm, 3.00 pm, 4.00 pm) and 3 times during Saturdays (9.30 am, 10.30 am, 12.00 noon). Any transaction initiated after a given settlement time will have to wait till the next given settlement time.
9. **Real Time Gross Settlement (RTGS):** RTGS refers to fund transfer system where transfer of funds takes places from one bank to another on a 'Real Time' and on 'Gross' basis. Settlement in 'Real Time' means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. 'Gross' settlement means the transaction is settled on one to one basis without bunching or netting with any other transaction. This is the fastest possible money transfer system through the banking channel. The RTGS service for customers is available from 9.00 am to 3.00 pm on week days and from 9.00 am to 12.00 noon Saturdays.