

Q. 1. A Select the proper option from the options given below & rewrite the statements. [5 Marks]

1. In a partnership firm the liability of a partner is _____.
a) Limited b) Unlimited c) None of these

Ans. Unlimited

2. The term e-business is derived from the terms _____ and e-commerce .
a) e-mail b) e-pay c) cash

Ans. E-mail

3. Businessmen are _____ of society.
a) Representatives b) Members c) Trustees

Ans. Trustees

4. The consumer protection Act was passed in the year _____.
a) 1956 b) 1986 c) 1996

Ans. 1986

5. Management principles establish _____ relationship.
a) Social b) Legal c) Cause-effect

Ans. Cause Effect

Q.1 B) Match the correct pairs

[5 Marks]

A	B
1. Cold Storage	a. Perishable goods
2. Courier Services	b. Owned by Individuals
3. E-business	c. Electronic Business
4. Gang Plank	d. direct communication
5. Directing	e. Moving into action

Q.1C) Write a word or a phrase or a term which can substitute each of the following statements

[5 Marks]

1. The partnership for which duration is not fixed.

Ans. Partnership at will

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

Ans. Life Insurance

3. Movement of consumers against Business Malpractices

Ans.: Consumer movement

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

Ans.: Principle of Equity

5. A function directly related to human beings.

Ans.: Directing

Q.2 Distinguish between [Any Three]**[15 marks]****1. Private company & Public Company**

Sr. 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, limit 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 and 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 rupee	Minimum paid up capital is five lakh rupees.
8.	Quoram	For a meeting of members the quorum is minimum two members	For general meeting of members the quorum is minimum five members.

2. Current A/c and Saving A/c

Sr.No.	Point of Distinction	Current Account	Savings Account
1.	Meaning	It is that account which is maintained by businessman and others who have regular bank	It is that account which is opened by individuals in order to save a part of their income

		transactions	
2.	Withdrawals	Customers can withdraw money by cheques	Customers can withdraw either by cheques or by withdrawals slip
3.	Facilities	The bank gives a passbook, cheque book, statements of account and pay-in-slip book to the customers	The bank gives a pass book, cheque book and pay-in-slip book to the customers
4.	Who takes it	It is suitable for traders, businessmen, firms or institutions.	It is suitable for fixed income group, wage ors salary earners
5.	Consideration Operations 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 if low.
7.	Nature of Account	It is of continuous nature	It is of continuous nature
8.	Facilities	Temporary overdraft facility is given	No Overdraft facility is given

3. Commercial Bank & Central Bank

Sr. No.	Points of Distinction	Commercial Bank	Central Bank (RBI)
1.	Function	The main function is to accept deposits from public for lending to industry and others.	The main function of the central bank (RBI) is to regulate money supply in the country.
2.	Printing of	The commercial banks cannot	The central Bank can print

	Currency	print current notes.	currency notes.
3.	Acceptance of Deposits	The commercial bank accepts deposits from public	The central bank does not accept deposits from public
4.	Loans	The commercial banks provides loan to industry and commerce.	The Central Bank provides loan to Bank and Financial Institutions.
5.	Ownership	It can be owned by private and/or by government agencies.	It is owned and controlled by the government of India
6.	Number	There are many Commercial Bank in India.	There is only one Central Bank (RBI) in India.
7.	Monetary Policy	The commercial banks do not frame any Monetary Policy	The Central Bank frames the Monetary and Credit Policy
8.	Monitoring	The Commercial Bank does not keep check on the Central Bank.	The Central Bank keeps a check on the Commercial Banks.

4. Coordinating & Controlling

Co-ordinating	Controlling
1. Meaning	
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.
2. Objective	
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.
3. Area of function	
It includes Top Level Management Middle Level Management Lower Level Management	It includes Fixation of standards Measurement of actual performance
4. Factors	
It is concerned with Internal factor	It takes care of Internal as well as external factor for taking corrective action.
5. Order	
It is an important element of organizing. It follows Planning	It follows all other functions. It is an end function of management process.
6. Resources	

It is related with Human Resources. It is an integrated effort.	It is related with all the resources as it helps to achieve targets.
7. Targets	
Internal Co-ordination among employees is must to achieve the desired results	Actual Performance is compared with standard performance are taken to achieve targets.
8. Nature	
It is process where only people are concerned so continuity is needed	It is a process which starts once the actual target is achieved
9. Levels of Management	
All the levels i.e. top to middle to the lower co-ordination is required to achieve targets.	Top level management and middle level managers are responsible for proper controlling of activities.

5. District forum & State Commission

Sr.No.	Points of Distinguish	District Forum	State Commission
1	Meaning	A consumer dispute redressal forum working at district level	A consumer dispute redressal forum working at state 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 core
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.

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
5	Members	Other than presidents it has minimum two members	Other than president it has minimum two members
6	Area Covered	It covers a particular district	It covers a particular state
7	President	District Judge or equivalent	High Court Judge or equivalent

Q.3. Write short notes [Any Three]

[15 marks]

1. Outsourcing

In many big establishments, shops, markets or bazaars you will often find security guards who are monitoring the parking around the place. These guards are not employee of the establishments but have been recruited through an agent. This agent provides the establishments with the services of the guards. In other words, the establishments has **outsourced** the security services.

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

1. It reduces its own cost.
2. It uses the expertise of the firm which specializes in a particular kind of service.

Generally companies outsource their non-core areas. e.g. in many corporate organizations, hospitals etc. The canteen and sanitation services are usually outsourced to contractors. The contractors enter into an agreement with the company for providing the service. The waiters at the canteen or sanitation workers are not employees of the company but work directly under the contractor. The company makes payments to contractor who in turn pays his employees.

Another example of outsourcing is seen in weddings. The wedding planner outsources all services like decoration, catering, band, etc to providers who are experts in these areas.

Now-a-days many municipal corporation and municipalities have outsourced collection of household waste to private companies.

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

- **Advantages of Outsourcing**

1. It leads to better efficiency and effectiveness.
2. The companies are able to focus their attention on improving the quality of their product.
3. Outsourcing leads to cost reduction for the company. The cost of outsourcing services is much less than keeping such a large work force on the rolls of the company.
4. Manpower through outsourcing is available at a lower cost.
5. Investments requirements of the company are reduced.
6. Outsourcing helps in knowledge sharing between organizations.
7. It stimulates entrepreneurship, employment and exports in the country from where outsourcing is done.

- **Disadvantages of Outsourcing**

1. There is always a danger of the misuse of company information by the contractor.
2. Many companies compromise on the quality of outsourcing in order to cut costs. This is especially seen in the IT sector where companies try to get cheap manpower from the other countries.
3. In some cases, companies ignore ethical related to outsourcing.
4. The quality of the outsourced service is sometimes not up to the mark.

2. Social responsibility towards Public

RESPONSIBILITIES TOWARDS COMMUNITY, PUBLIC IN GENERAL

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

1. **Providing Employment Opportunities:** Business should provide good job opportunities to young and well educated people in society. Maximum efforts should be taken to generate employment. It can be done by expansion and diversification programmes. So that eligible people from society will get job opportunities.
2. **To Prevent Pollution:** Working of business units result in air, water and noise pollution. The carbon particles, dust, harmful gases, chemicals create air pollution. Harmful chemicals cause water contamination. Sound of machines from factories can disturb the peace of residents. All types of pollution should be controlled by adopting best possible measures.
3. **Better and Maximum Use of Resources:** All types of resources are ultimately owned by the society. Business should use scarce natural resources such as raw materials of iron, steel, fuel etc. in proper manner. The resources should neither

remain idle nor there should be wastage of resources. It should be managed carefully.

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

3. Features of Planning

NATURE OF PLANNING

1. **Primary Function:** Planning is a primary and basic function of management. It acts as a base to other functions of organizing, staffing, directing, co-ordinating, controlling, etc. Proper planning leads to achievement of desired goals in a desired manner in a given period of time.
2. **Intellectual Process:** Planning is an intellectual process. It involves intelligence, imagination and creative thinking. A managers can prepare a sound plan only if he has sound judgment, foresight and imagination. Planning is always based on goals, facts and considerate estimation.
3. **Goal Oriented:** Planning is made to achieve desired objectives of business. Planning initiates the action that would lead to desired goals quickly and economically. It also provides the desired direction for achievement of goals. eg. Maruti-Suzuki is trying to capture more of the Indian market by launching cars with diesel and eco-friendly (CNG) models.
4. **Future Oriented:** Planning is always done by keeping in mind the future needs. Goals can be achieved only if planning is one with proper thinking. A Good Planner needs to think about future, analyse it and predict it.

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

Prepare a plan for the annual day function of your college.

4. Features of Entrepreneur

CHARACTERISTICS OF ENTREPRENEUR

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.

5. 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:
 - 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 errors method for determining the job use systematic way such as data collection, analysis of data and then drawing conclusions.
2. **Scientific Selection, Training & Development of Workers:** According to Taylor selection of employees is an important task before the manager. The selection procedure should be perfect and systematic. For this purpose the following points should be considered.
 - 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.

3. **Co-operation between Management and Employees:** To achieve the objectives or goals there should be proper co-operation between the employees and management. The relations between them should be harmonious. Following points should be noted in this regard:
 - i. In the organization the emphasis should be given co-operation between the management and workers and not to individualism.
 - ii. The goals can be achieved effectively only by co-operation.
 - iii. 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:
 - i. The nature and roles played by different level 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 followings points should be taken into 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.

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

Q.4 State True or False with reasons [Any Three] [15 Marks]

1. **Controlling is the indispensable function of management.**

Ans.: This statements is TRUE

Reasons:

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

2. Management should avoid workers participation while taking decisions.

Ans.: This statement is FALSE.

Reasons:

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

3. Central Bank cannot accept deposits from public.

Ans.: This statement is TRUE.

Reasons:

- a) Central Bank (RBI) cannot accept deposit from the public.
- b) Every country has a central bank which works as an apex body. It controls all financial institutions in the country.
- c) The central bank is a nonprofit making institution.
- d) It is mainly concerned with maintaining economic stability in the country.
- e) It controls money supply in the economy.
- f) It acts as banker to the government.
- g) Thus central bank's main function is to regulate country's monetary and banking system.

h) Accepting deposit is the function of commercial bank and not of the central bank.

4. The Govt. Alone is fighting for consumer protection.

Ans. : The above statement is FALSE.

Reasons:

- a. The government alone is not fighting for consumer protection.
- b. The government as a single agency will not be able to fight for consumer protection.
- c. There are various consumer organizations who work and fight for consumer protection.
- d. They are called as Non-government organizations (NGOs).
- e. They protect consumers from hazardous (dangerous) products, false advertising, pollution, exploitations, etc.
- f. Their main objective is to establish consumer rights.
- g. They form a strong support network of consumers.
- h. They also make government take note of consumer grievances.
- i. They make suggestions and recommendations to government authorities while policy making.
- j. Consumer Guidance Society of India, Mumbai Grahak Panchayat, Consumer Association of India are some of the important NGOs.
- k. Thus consumer organizations along with the government create awareness among people about their rights and aim for consumer protection.

5. A sole trading concern is easiest to form.

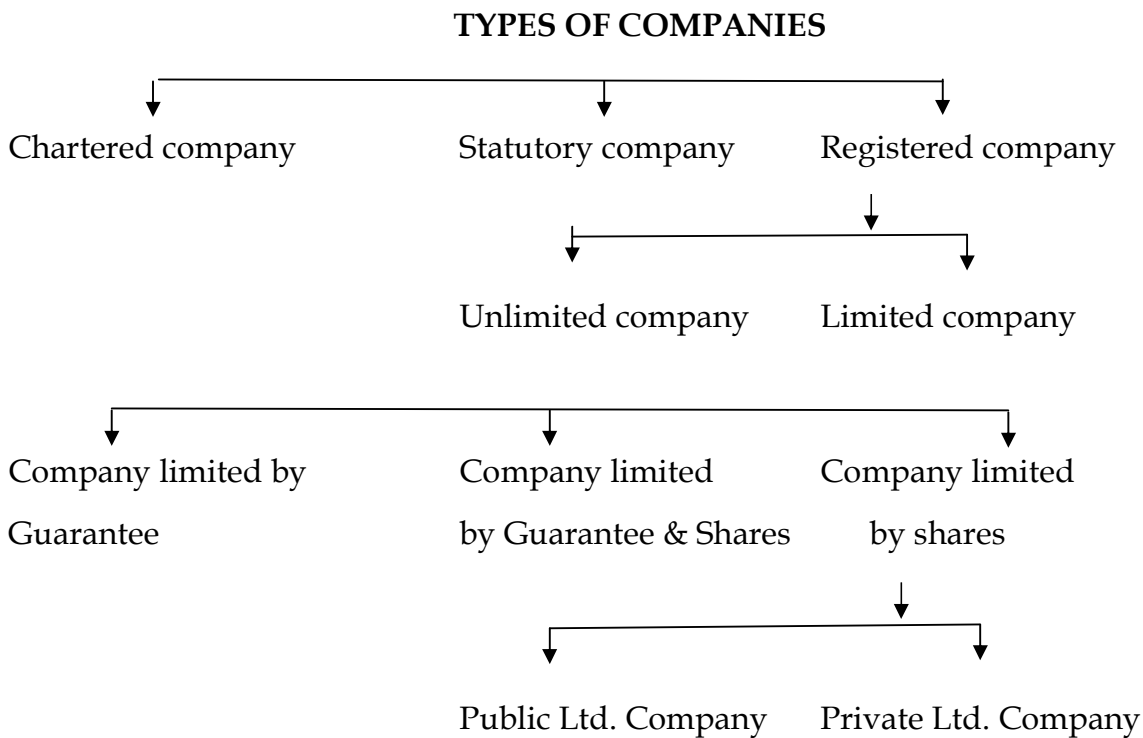
Ans.: The above statement is TRUE.

Reasons:

- a) A sole trading concern is easiest to form.
- b) Sole trading concern is the simplest and oldest form of commercial organization.
- c) In a sole trading concern the sole trader himself owns, manages and controls the business.
- d) The single person conducting the business is called as sole trader or sole proprietor.
- e) A sole trading concern is very easy to form.
- f) No legal formalities are involved in formation of a sole trading concern.
- g) A sole trading organization generally operates in the local market.
- h) Therefore business is conducted on a small scale.
- i) As business is conducted on a small scale, it requires limited capital.
- j) As business is conducted on a small scale, the sole trader can easily manage the business.
- k) With least legal formalities, with minimum capital and managerial ability a sole trading concern is very easy to form.

1. Explain the types of companies.

TYPES OF COMPANIES



COMPANY LIMITED BY SHARES CAN BE OF TWO TYPES

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

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

- Restrict the number of its members up to 2 to 50.
- Restrict the right of members to transfer its shares if any.
- Put a ban on inviting to the public to subscribe for any shares in or debentures of the company.
- Prohibits any invitation or acceptance of deposits from persons other than its members, directors or their relatives.
- Must have a minimum paid up share capital of one lakh rupees.

It is important that all the above said condition should be in order to remain a private company. If any one of the condition is not fulfilled by the company, shall be considered as public company. In the case of private company is a limited company, then it must add the words '**Private Limited**' at the end of its name. A private company may be a company limited by shares or a company limited by guarantee or an unlimited company.

2. Public Company

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

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

There are minimum 7 members required for establishment of public company but there is no restriction of the maximum number of members. In the case of a public company is limited company, then it must be 'Limited' word at the name of company. The public limited company must have a list 3 directors.

2. Steps in online Transactions.

- **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.

3. Ways & Means of consumer protection.

WAYS AND MEANS OF CONSUMER PROTECTION

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

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

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

4. **Techniques of Scientific Management.**

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

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

The management should provide good quality of tools and equipments used for production of a good quality. This helps the workers to perform the job easily and efficiently. Secondly the working conditions should be good so that the

workers can give their best output. This technique minimizes the cost of production and makes best use of available resources.

5. **Different Piece Rate Plan:** According to Taylor there should be discrimination between the efficient and inefficient workers. The payment should be made according to the performance of the worker. The efficient workers should be paid more whereas inefficient workers should be paid less remuneration. In this method a standard is fixed for production. Those who produce more than the standard should be paid more in the form of an incentive and those who perform less than the standard be paid less as penalty. This system gives encouragement to those who perform well and motivates those who have underperformed to improve their performance.
6. **Others Techniques:** In addition to the above techniques some other techniques are also suggested by Taylor. They include the use of instruction cards, strict rules of discipline, and use of charts, graphs, slides, charts to instruct the workers etc. These techniques are also used to develop better relations between the employers and employees.

Q.6 Answer in detail [Any 1]

Define Joint Stock Company and Explain its Merits and Demerits.

Ans. DEFINITION

Prof. Haney : "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 on membership."

MERITS OF JOINT STOCK COMPANY

1. **Large Capital:** It is possible for a joint stock company to raise huge financial resources. There is not maximum limit on membership in a public limited company. Shares issued are available in small denominations. Therefore people can invest any small amount as per their needs & capacity. Due to the features of limited liability, free transferability of shares etc. many investors are attracted to become shareholders of the company. Loans can be taken from banks and other financial institutions by the company.
2. **Democratic Management:** Though shareholders elect the Board of Directors, who manage the business efficiently, the directors are accountable to shareholders, their activities are supervised and controlled by shareholders indirectly. Though policy decisions are taken by the board, it must be approved by share holders. If shareholders are not satisfied with the performance of a director, he can be removed and a new one will be appointed in his place by members.
3. **Transferability of shares:** There is free transferability of shares in a public limited company. No permission is required to be sought from the directors or members of the company for buying or selling shares. Thus there is a high degree of liquidity involved in shares of company. A private limited company, however does not permit free transferability of shares.
4. **Limited Liability:** The liability of a member in a public limited company is limited to the extent of the unpaid amount of the shares held by him. Since the

company has an independent legal status, its liabilities are its own. Shareholders cannot be held liable for debts of the company and there is no question of using their personal property for the purpose. This advantage of limited liability attracts a large number of investors.

5. **Expert services:** Due to large financial resources available with joint stock company, it can appoint experts for managing each area or function of the company business, by paying attractive salaries to them, these brings in a great degree of professionalism and thereby, efficiency in management of business. The turnover of the company goes up and the profit rises.
6. **Relief in Taxation:** The companies are required to pay taxes at flat rate. The amount of tax on a high taxable income therefore may be less for a joint stock company than individuals in a same tax bracket.
7. **Public confidence:** Joint Stock company enjoys public confidence. The working of joint stock companies in India is governed by the provisions of Indian companies Act, 1956. As per the act the company has to get its annual accounts audited by a practicing Chartered Accountant.
8. **Scope for Growth and Expansion:** There is possibility of growth and expansion in the company business. The company can raise large financial resources. Attractive salaries can be paid to engage the services of experts for business expansion and for managing the business professionally. A part of profit is kept aside in the form of reserves and ploughed back for business expansion. Loans can be raised from banks and other financial institutions by hypothecating some assets of the company.

DEMERITS OF JOINT STOCK COMPANY

1. **Difficulty in Formation:** The formation of the company is in itself a very difficult and involves too many formalities. Promoters have to prepare and submit various documents to the registrar of companies for approval i.e. Articles of Association, Memorandum of Association etc. The public limited company cannot commence business without obtaining a certificate of commencement of business. Registration of Joint stock companies is compulsory as per Indian companies Act, 1956. Thus the formation is complicated, costly and time consuming.
2. **Delay in Decisions:** In sole trading concern, and partnership firms decisions can be taken quickly. Company business is managed by Board of Directors who are not owners of the company. Therefore, there is no direct motivation for directors to give their best to the company. Moreover, for taking various decisions and getting them approved from share holders, they have to hold board Meeting and share holders meetings, for which a proper procedure has to be followed. That results into delay in decision making, good business opportunities may be lost.
3. **Excessive Government Control:** There is a lot of government interference in the working of the company. Various rules and regulation of companies Act have to be strictly followed by the company, the non-compliance of any of these provision results into penalties for the officers involved.
4. **High cost of management:** The management of joint stock company form of organization is costly. The formation involves availing of the expert services of

many professional like underwriters, financial and technical experts, share brokers, solicitors, bankers etc. Moreover, the compliance of the management appoints highly qualified staff to managers for various functional areas of business to whom attractive salaries are required to be paid. Even the process of dissolution of company is lengthy and costly.

5. **Undue Speculation:** Since directors are responsible for the management of the company, they sometime use the confidential information for speculation and for personal gains. This results in sudden fluctuations in prices of shares in stock exchange, adversely affecting the public confidence.
6. **No Personal contact:** Due to very large size of the organization, employees feel that their efforts are not recognized and appreciated, their work related problems are not taken care of. As a result they feel demoralized and their productivity declines.
7. **Lack of secrecy:** There is no business secrecy involved in the company form of organization since it has to fulfil various statutory requirements, e.g. As per Indian companies Act, 1956, every company must publish its annual accounts and certain other important documents. Due to this the competitors may take undue advantage of the inner information for their benefit.
8. **No Direct Effort Reward Relationship:** Since the ownership and management are separate, there is no direct relationship between the efforts and rewards. This can be demotivating for the owners of the company.

OR

[10 Marks]

Define Commercial Banks and Explain its functions.

Ans. Commercial Banks: These banks accept the deposits from the general public and provide short term loans to traders, manufacturers and businessmen by way of cash credits, overdrafts, etc. Commercial banks provide various services like collecting cheques, Bills of Exchange, remitting money from one place to another place, etc. Nowadays some of the commercial banks are also providing housing loans on a long term basis to individuals. Commercial banks are of three types i.e. Public Sector banks, Private sector banks and Foreign Banks.

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:

Types of Deposits

1. **Fixed Deposits:** A fixed amount is deposited for a fixed period and it is called fixed deposit account. It is also known as term deposit. The fixed period of time may be from 30 days to 5 years and above. The rate of interest on this account is the highest because the amount accepted is invested elsewhere for a long term by the bank. The depositor is given a fixed deposit receipt. If the depositor is in need of cash before the date of maturity, he can get a loan against the deposit.
2. **Savings Account:** This account, as the name suggests, is meant for promotion of savings. Persons having fixed and regular income can deposit their savings in this account. A savings account holder is not permitted to have frequent withdrawals from this account as it is meant for saving. The interest on this account is credited to the account once in every six months.
3. **Current Account:** In this account, a depositor can deposit money any number of time and can withdraw it as and when he requires it. In this account, generally business class deposits the money. Generally the bank does not pay any interest on this deposit. If the total amount deposited is less than the minimum amount required, then the bank can charge some service charges. Money is withdrawn from this account by cheque. A current Account holder enjoys overdraft facility.
4. **Recurring Deposit Account:** In this type of account, a depositor deposits a fixed amount of money every month for a fixed period. The money is deposited on monthly basis. This money cannot be withdrawn before the expiry of a fixed term except in certain conditions. The amount of interest which is received on the money deposited in this account is re-deposited along with the principle. This account attracts higher interest in comparison to other accounts except Fixed Deposit Account.
5. **Multiple Option Deposit Account:** It is a type of Saving Bank Account in which deposits in excess of a particular limit gets automatically transferred into Fixed Deposit. On the other hand, in case adequate fund is not available in our Saving Bank Account so as to honour a cheque that we have issued, the required amount gets automatically transferred from Fixed Deposit to the Saving Bank Account. The balance amount continues as Fixed Deposit and earns interest as per existing rate of interest. One can earn higher rate of interest from a Fixed Deposit Account than from a Saving Bank Account.

B. Granting Loans and Advances:

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

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

Types of Advances:

- a. **Cash Credit:** Under Cash Credit system, bank allows the borrower to draw amount upto a specific limit. A limit of certain amount is sanctioned to the customer. The customer can withdraw this amount as and when required. Interest is charged on the amount actually withdrawn.
 - b. **Overdraft:** Overdraft is a credit facility granted by bank to current account holders. A current account holder is allowed to withdraw more than amount of credit balance in his account. It is a temporary arrangement. Overdraft facility with a specific limit may be allowed either on the security of assets or on personal security or both. Bank charges interest on this facility. A current account shows a debit balance where there is an overdraft.
 - c. **Discounting of Bills:** A Bill of Exchange is a negotiable instrument. Banks provide short term finance by discounting bills i.e. making payment of the amount before the due date of the bills after deducting certain amount of discount. The part gets the funds without waiting for the date of maturity of the bills. In case the bills is dishonoured on the due date, the bank can recover the amount from the customer.
2. **Secondary functions:** In addition to the primary functions of accepting deposits and granting loans and advances, banks perform a number of other functions which are called secondary functions. They are the following two types:

A) Agency Functions

Agency functions include the following:

- i. **Collection of Cheques, Dividends and Interests:** As an agent the bank collects cheques, drafts, promissory notes, interests, dividend, etc. on behalf of its customers and credit the amount to their accounts. Customers may furnish their bank details to companies where investment is made in shares, debentures, etc. So that the companies

can directly send the warrants/cheques to the bank for credit to customer's account.

- ii. **Payment of rent, insurance premiums, etc.:** The bank makes the payment such as rent, insurance premiums, subscriptions, etc. on standing instructions until further notice. Till the order is revoked the bank will continue to make such payments regularly by debiting the customer's account. ECS means electronic clearing system under which one time instruction is given to the bank for debiting/crediting the account.
- iii. **Dealing in foreign exchange:** As an agent, the commercial bank purchases and sells foreign exchange for customers as per RBI Exchange Control Regulations.
- iv. **Purchase and Sales of Securities:** Commercial banks undertake the purchase and sale of different securities such as shares, debentures, bonds, etc on behalf of their customer. They run a separate 'Portfolio Management Scheme' for their big customers.
- v. **Act as trustee, executor of will, attorney, etc.:** The bank acts as executives of will, trustees and attorneys. It is safe to appoint a bank as a trustee than to appoint an individual. Acting as attorneys of their customers, they receive payments and sign transfer deeds for the properties of the customers.
- vi. **Act as Correspondent:** The commercial banks act as a correspondent of their customers. Small banks even get travel tickets, book vehicles, receive letters, etc. on behalf of their customers.
- vii. **Preparation of Income Tax Returns:** They prepare income tax returns and provide advises on tax matters for their customers. For this purpose, they employ tax experts and make services available to their customers.
- viii. **Bank Drafts:** A Bank Draft is a financial instrument with the help of which money can be remitted from one place to another. Anyone can obtain a bank draft after depositing the amount in the bank. The bank charges commission for issuing a bank draft. For bank draft, funds are withdrawn directly from a bank's fund and not from an individual account. It is less risky for a creditor.
- ix. **Underwriting of shares:** Underwriting services include guarantee by the bank to the company. In case the company shares are not sold, the bank will take the responsibility of the unsold shares. Bank charges commission for this service.
- x. **Demat Account:** Demat account facility has been introduced by commercial banks to facilitate the customers who are shareholders.
 - a. To keep a record of their shareholding in electronic form.

b. To facilitate buying and selling of shares in the share market.

A statement of holding is issued to the account holder periodically for their information and records.

B) Utility Functions:

Utility functions of Banks include the following:

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